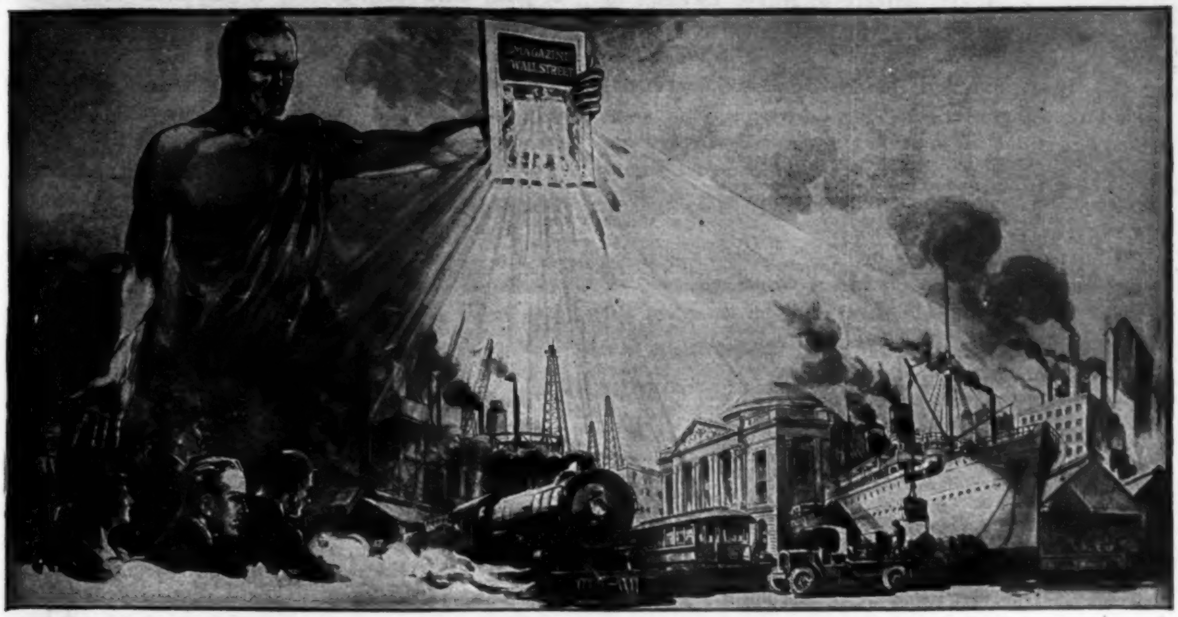


THE OUTLOOK

Bank Loans Decreasing—Farmers' Demands for Credit — Favorable Financial Signs — The General Sales Tax—The Market Prospect

INVESTMENT absorption of the better class securities has now pretty much counterbalanced urgent liquidation. While many embarrassed business men have been forced to turn some of their securities into cash, even down to the current date, it is clear that, taking the country as a whole, investment capital has begun to accumulate.

The total loans of 823 banks members of the Federal Reserve System reached their climax Oct. 15th, at $15,854,-000,000. Since that date the decline of loans, although slow, has been steady, and there can be no question that it will continue.

As compared with a year ago, loans on war paper are down nearly one-third; loans on other bonds and stocks down 10%; business loans up about 12%; total loans up 3½%; but from Oct. 15th, total loans down 3½%.

When people in general are able to cut down their loans, some of them are in a position to invest.

* * *

POSITION OF THE FARMERS

THERE is no question that the increase in business loans during the past year, while loans on securities have declined, has in large part been due to the holding back of crops by the farmers. Prices of corn, wheat and cotton have fallen more than other prices, until the average price of those three crops is nearly 20% below the general level of prices for all commodities. On the other hand, hay, oats and potatoes are considerably above the general level, but in the principal farming sections these are not the big money crops.

That farmers should endeavor to hold their crops under such conditions is entirely natural and reasonable, and many of them cannot see why, since their credit is eventually good, the banks should not continue their loans indefinitely until crop prices recover. Many banks, dependent upon the farmers' patronage, have been practically compelled to do that. In the meantime, the general markets miss the farmers' buying, always an important element in business prosperity.

Finding that the banks have reached their limit in extending loans of this character, the farmers are now calling on Uncle Sam for help, and a bill has been introduced in Congress reviving the War Finance Corporation for that purpose.

The trouble with this plan is that there does not exist anywhere in the world any inexhaustible tank of credit to be drawn upon. If the farming industry were a minor and unimportant one, Uncle Sam might be able to support it by drawing upon the resources of other industries; but farming comprises such a very large fraction of our total business, and the value of farm crops is so tremendous compared with other industries, that we cannot tax other activities for the benefit of the farmer without serious injustice and disturbance, which would inevitably react upon the farmer also in the end.

As for a permanent further expansion of credit, or even the maintenance of the very high volume of bank credits now outstanding, such a policy would soon affect all prices together—the cost of living and materials as well as the price of the crops—and would merely tend to perpetuate that condition of inflation against which everybody has been rightly complaining. The maintenance of an inflated price level would affect our exports, which have shown a gratifying revival since our prices fell, would tend to bring a flood of foreign merchandise to our shores, and would thus deprive us in large part of the advantage which has been gained at the cost of a painful deflation.

FAVORABLE FINANCIAL SIGNS

THE advance of sterling exchange to $3.54 last week, and the rise in the Federal Bank ratio to 45.6%—a new high point for this movement—are fundamental factors of great importance. It is especially encouraging that sterling can rise in the face of our unexpectedly large exports of merchandise. Those who would have the British Empire on the brink of ruin will apparently have to revise their views.

A bank ratio of reserves of over 45%, against a so-called "legal" minimum (the law provides no actual minimum) of about 37½%, evidently affords no cause for uneasiness and disposes of the possibility of financial panic. The Federal Banks have stood the test and have come out not only unbroken, but not seriously strained..

Rediscount rates should be maintained at or near present figures until we have a 50% reserve ratio or higher. The very name "Reserve" shows plainly the idea in the minds of the framers of the law, that the Federal currency notes were to be held in reserve for emergencies, and not to be relied upon in any large part for the extension of loans when industry is on a "deflated" basis. It is believed that this is substantially the viewpoint of the Federal Board.

A point to be noted is that, now that the Federal Reserve system is firmly established, the statement of the New York Clearing House banks has lost its importance. A Clearing House surplus or deficit now indicates merely the extent to which the member banks have adjusted their reserves at the Federal Bank. The ratio of loans to deposits is still of interest but even this is considerably affected by inter-Reserve Bank borrowing. The Federal system has in some ways made our banking more complicated, but it has simplified the observation and interpretation of financial conditions, since the combined ratio of the system includes, directly or indirectly, all the principal factors.

* * *

MONEY RATES IN 1921

EX-SENATOR THEODORE E. BURTON'S recent remarks are well worth quoting: "This present condition of prices is more than a banking condition. It cannot be cured by lower rates of money. It touches the whole industrial and commercial fabric, all the ramifications of trade. I hope for, and in fact expect, a very material improvement after Jan. 1st, but I do not think it well for us to be too sanguine."

The only real cure is increased production. The only way to accumulate wealth is by work. This fact, temporarily lost sight of during and since the war, is now being forced home to the attention of the people. It is as true of the nation as a whole as it is for any individual.

For that reason it is not probable that capital will accumulate fast enough to wipe out our present over-extended credits, and also leave a large enough surplus to bring low money rates, during the coming winter months. A general 7% rate for money is perhaps all that should be expected.

In regard to call money, however, the situation is somewhat different. The big financial transactions around Dec. 15th are already in the past, and Christmas trade is practically over. Year-end settlements are not yet completed, and January disbursements remain to be handled, but these will be pretty much out of the way by Jan. 15th. There should be a period of considerable ease in call money this winter.

* * *

TAXATION PROBLEMS

THE excess profits tax has quite evidently outlived its usefulness—if indeed it ever had any in the form in which it was applied. Its only excuse was the pressing necessities of the war, and even that is now past. To supply its place a general sales tax is widely favored. Such a tax could be borne more easily because more widely distributed. An improvement would be to graduate such a tax, exempting some of the sternest necessities, like flour, potatoes, beans, or lower grade cloths, and increasing the rate of taxation on articles chiefly used by families whose standard or living is relatively high. In practical application, however, these discriminations might be difficult. We have had more than enough of complicated taxes, involving nearly as much cost in time and labor of calculation and collection as can be realized from the taxes themselves.

The income tax, as now applied, contains many injustices. the recent suggestion to exempt saved income, taxing only that which is spent, is like a ray of sunlight piercing a murky cloud of absurdities. It is saving, accumulation of capital, which has built our civilization, and it is that which must carry it forward. In Heaven's name, why tax it? Yet that is the main reliance of the "sur-tax" system, and with our present big Government requirements it would be difficult to do away with it entirely.

In this connection, there is a strong probability that the incoming administration will take some steps to relieve the injustice involved in the low prices of Liberty Bonds. This, too, is an incubus left over from war necessities. In the stress of war, the Government could perhaps be excused for selling 4¼% securities at par in a money market which justified a 5% rate; but with the war over, the Liberty Bond holder has a right to complain.

* * *

THE MARKET PROSPECT

WHILE prices have not yet shown any pronounced reversal of their downward drift, there are clear evidences of lessening pressure and of investment accumulation. High grade bonds and the second grade bonds of prosperous companies have had as much reaction as would naturally be expected and we believe they will soon resume an upward trend. Many good preferred stocks are unduly depressed and afford splendid investment opportunities. Some are discussed in a special article in this issue.

Among railroad and industrial common stocks, those most strongly backed by assets and earnings are selling below their normal values and should recover to better prices in January, aided by easier call money and the gradual accumulation of investment capital. At present, weakness develops from time to time in the stocks of companies which are encountering exceptionally adverse business conditions, and this factor of uncertainty will doubtless be carried over into the New Year. On the other hand, many of the best issues are now cheap enough to have fully discounted a period of dull business and the investor who buys these for a long pull seems assured of appreciation in their value.

Tuesday, Dec. 21, 1920.

What Foreign Trade Financing Means to America

Opportunity of the Investing Public to Help Promote Sales Abroad—The Habit of Foreign Investment

By **JOHN McHUGH**

Vice-President, The Mechanics & Metals National Bank of the City of New York; Chairman Organization Committee of Thirty, Foreign Trade Financing Corporation

IN the last seven months the wholesale prices of manufactured and agricultural products in this country have fallen on an average nearly 35%—a fall never before witnessed in so short a period by any one now living. It presents the manufacturers and farmers of this country with as grave a problem as they have had to confront in many years. Their great hope lies with the American investor.

There is probably nothing that the producers of this country can do that can bring prices back to the point from which they fell. Some decline was inevitable. The demands of the war in the first place, then the backed-up demand following the war, when not only the former belligerents but all of the great neutral countries called on us for our goods, together with the inflation of credit here, brought prices to wholly abnormal heights, at which they could not remain.

It was inevitable that at some time a turn would come; that the demands would probably fall; that credit would reach a point at which it could not with safety be further extended; that speculators who, with rising prices, had been constantly enlarging the scope of their operations, would ultimately be compelled to throw on the market the goods that they had been holding, and that this action would precipitate the inevitable turn downward. That has come, and the old levels will not again be reached. We cannot create or enforce a demand where it has ceased to exist.

But this does not mean that American manufacturers are powerless in the present situation. They can mitigate and shorten the current depression even if they cannot altogether remove it.

Without doubt, one cause of the present break in prices has been the gradually growing conditions of disorganization in the financing of our foreign trade—a falling off in sales to the outside world brought about by the violent fluctuations in European exchange rates and by the inability of the outside world, particularly Europe, to pay immediately for our manufactured products, and in fact, for all the exportable products that America has to offer.

For more than a year, since the Government stopped loaning to European Governments, our sales to the other nations of the world have continued very largely to exceed their sales to us. They could not pay for the difference in gold, and the result was that for the amount by which our sales to them exceeded their sales to us, we had to extend credit.

This credit was not extended in any systematic, orderly way, nor with any clear vision of what its ultimate effect must be. In many cases exporters here allowed their foreign customers time in which to make payment, but this method eventually left many exporters short of working capital, and they had to make this up by borrowing at the banks. The banks have likewise been called upon to finance foreign trade in the last year or two in more direct ways.

The result has been that there is outstanding in this country at present a floating debt of the outside world to us amounting to nearly $4,000,000,000. It is in large part because the banks have been compelled to tie up so great a part of their funds in this way that we have the present credit strain, which has made it so difficult for them to extend further aid in this direction. It has never been considered a proper banking function to finance what we may call a relatively permanent one-sided balance of trade, and the banks of the country have virtually reached the point where it would certainly not be prudent to extend much more of such credit.

Copyright Underwood & Underwood

JOHN McHUGH

How, then, can our excess export trade be financed? What the world demands from us may continue for several years to exceed what it is able to sell us in return. It is our duty, then (and by that is meant not only our duty to the world, but our duty to ourselves, if we wish to maintain our own exports), to extend credit that will run for several years.

It is out of the question for credit running for so long a time to be carried by banks, whose liabilities, that is, whose deposits, are mainly payable on demand; to keep themselves in undoubted solvency the banks cannot tie up their loans for more than a few months at a time.

The duty of extending this credit rests upon the great body of American investors. In order to prevent any possibility of inflation, of which we have had enough, they should extend this credit out of their savings. The way for them to do this is to purchase the long-term securities of our European and other foreign customers. These may be secured by the assets of private corporations or railroads or of municipalities or governments. Europe, especially, is prepared to offer very attractive rates of interest in order to get this credit.

One reason why American investors have not availed themselves of this opportunity is that they have not, like British investors, for instance, acquired the habit of foreign investment; but behind this is an even deeper reason, and that is that they feel themselves too uninformed on conditions abroad to judge the risk they are taking.

It is precisely to overcome these obstacles that leading banking and business men, at a meeting called for the purpose in Chicago on December 10 and 11, unanimously approved the formation of a Foreign Trade Financing Corporation, to be organized under the provisions of the Edge Act, and to have a capital of $100,000,000. Such a corporation, active steps to organize which are now being taken, would send its investigators abroad, and its credit experts would devote themselves to examining the safety and security of every loan made. Against these securities the corporation would issue its own debentures, and it is these debentures that the American investors would be asked to buy.

Such an arrangement would bring a threefold advantage to the American investor. He would first of all know that the original securities standing behind the securities which he purchased had been selected by competent experts. The securities which he actually purchased would be American securities, for they would be a direct liability of this great American corporation. Finally, his risk would be greatly diversified by the fact that each debenture that he bought would be backed by scores of different foreign securities, so that the safety of this investment would not depend upon the safety of any of these.

This corporation, with a capital of $100,000,000, would be authorized under the Edge Act to issue as high as $1,000,000,000 of debentures. It is proposed to organize this corporation on so great a scale because it is felt that the magnitude of the task demands it. Such a corporation, by its vast resources, would be able to command the best expert talent; it

(*Continued on page* 251)

What Will Bring Prosperity?

George E. Roberts Looks Ahead Into 1921

Interviewed by **WILLIAM McMAHON**

WHEN I called upon Mr. George E. Roberts at his office in the National City Bank, I said to him that I came in behalf of the readers of THE MAGAZINE OF WALL STREET, who would appreciate it if he would cast his gaze ahead into the year 1921, and tell what he saw.

My request involved a prophecy, a prediction, some instruction, a diagnosis and a prescription—all in one.

"The year 1921 will be a prosperous year," said Mr. Roberts, "*if* all the people come to a realization of the fact that modern society is essentially and necessarily co-operative, and that this co-operation is the result of good understanding, good feeling and mutual confidence.

"There is nothing the matter with the business organization of this country. It is efficient now as always, and even eager to exceed the high grade of its efficiency, and it will do this when conditions are right.

"By right, I mean when the prices of commodities at retail have descended to the level which has been reached by the raw products. Also, when wages have been so readjusted on a lowering scale as to permit constructive enterprise to extend itself.

Farmers Need Lower Living Costs

"Our farmers, on account of the low prices that they are getting for their produce, have suffered a loss of purchasing power this year as compared with last year. This being the case, business men must appreciate the fact that they cannot continue to do business and blithely ignore this loss. There must be a reduction of prices on the things that the farmer is obliged to buy. Everywhere, in every industry and business, there must be a fair and equitable exchange not only of products but of services, and this equity of exchange based upon fair play must prevail not only in this country but throughout the entire world.

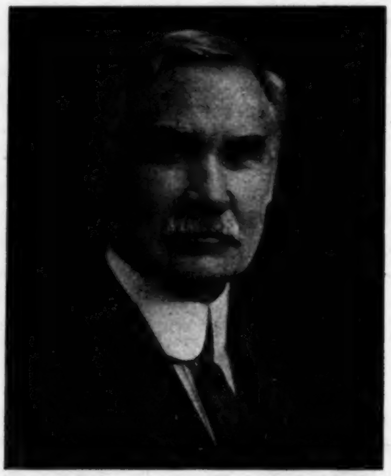
"During the war billions of dollars were spent, not to produce but to consume, not to construct but to destroy. Not only property to an inconceivable amount and value was utterly annihilated, but the lives of the young and the able were destroyed as well.

"During these past few years the productive power of the world was strained to the utmost. Our country was no exception. Every wheel was in motion. There was such a feverish demand for every sort of labor that the laborer practically fixed his own compensation. Buyers of merchandise went into the market place as meekly and as eagerly as the salesman used to go to the prospective buyer.

"Of course there was a constantly rising market. Speculation was rife so that it seemed impossible to lose. Fortunes were made on every hand. A wave of wealth swept over the country. Huts became houses and houses became palaces adorned with expensive works of art. The Kansas farmer came to New York City and bought his jewelry at Tiffany's. The laboring man went to and from his work in a limousine. The poor tasted of the luxuries of wealth.

"There had to be a re-adjustment. We are now engaged in that perplexing business. The American people with their ingenuity and natural co-operative spirit will surely find the way. Already they are finding it as they seek for it day by day, and as they adjust their actions to their reason, prosperity will ensue.

"Fairness is the only way. Every grade of business and every industry must be fair. The retailer must do his part. The laborer must do his part. Capital must do its part. Credit must be elastic but based on common sense. Debts can be created by law but they must be paid by hard work and self-denial."



GEORGE E. ROBERTS
Vice-president National City Bank of New York

Banks Will Give Adequate Credit

"How about the banks during 1921?" I asked.

"The banks have done their part, are doing their part, and will do their part during 1921," was the reply. "Through the recent credit strain the banks of the country, from the smallest to the largest, carried on to their credit. During the coming year the banks will extend credit commensurate with the revival of business, and there will be such a revival when a proper re-adjustment occurs based on a lower level of prices."

Mr. Roberts pointed out that building and construction have always led the way in the resumption of good times from a business depression. Men bought lots and built homes on them. Also they invested money in homes and in apartments for rental.

"As things are now, building and construction work is sorely needed. But men are loath to put their money into building and construction work when both labor and materials are so high. The cost is almost prohibitive as things are now. Even in the case of material, the high cost is due to the high cost of labor, so that directly and indirectly the labor cost is the main element in keeping down construction.

"Of course it may be asked, what is labor going to do when it has to pay such high prices for what it consumes? Rents are still high in the cities and in the villages because construction has not been normal the last two years—there are not enough houses, and labor is so high that no more houses can be built. The price of labor, as a matter of justice, can scarcely come down because the laborer has to eat and wear clothing and buy furniture and medicine. This brings us to the retailer.

Retail Prices Lag

"Raw products are down in price but one would scarcely realize it when he comes to buy from a retail store. It is, however, a fact that in the time of rising prices, retail prices rise slower than those of the prices of raw products, and in times of falling prices they also lag behind the prices of raw products. The present situation invites the chain of stores system of doing business, and also induces manufacturers to establish retail stores. Even those farmers who are near the cities are trying to retail their produce.

"Retail prices must come down to an extent commensurate with the prices of raw products. The present situation is due almost altogether to prices—commodity and labor prices. Confidence will be restored when prices rest upon a natural support. As the way is found there will be no signs of a lack of confidence anywhere in business."

Mr. Roberts spoke enthusiastically of the company of which Mr. Hoover is the head—the company capitalized by faith and altruism as well as dollars.

"Recently an organization was formed," continued Mr. Roberts, "called the United Engineering Society, whose mission it is to increase production, eliminate waste and tell us Americans what we should do in the present situation. Mr. Gompers, as head of the American Federation of Labor, has expressed a willingness to do all he can to further this good cause. This means that perhaps the workers of the country *en masse* will do their part in voluntarily reducing their wages, accompanied by a possible understanding that the smaller money they get will be able to buy as much as the larger money they are getting now.

"It is better for labor if it works full time than half time. A certain manufacturer took his men into his confidence, and told them that extensions and improvements were vital to the business. He explained to his thousands of men the exact situation, so that they saw that they would either have to take a reduction or quit altogether. The men met and passed a unanimous resolution to cut down their own wages.

(Continued on page 273)

High Railroad Rates May Check Centralization of Industry

If the Existing Centralization Grew Out of Cheap Transportation, What Will Be the Effect of Dear Transportation?

By **DANA HYDE**

THE United States has long exhibited two economic phenomena, namely: the cheapest rail transportation in the world and the highest state of industrial centralization in the world. It has been the contention of railroad men that the second was the consequence of the first, and there is hardly a doubt that their position is well taken. When they assert, however, that dear transportation will not tend toward industrial and agricultural decentralization, their position may well be questioned.

In computing the unimportance of tariffs on the volume of traffic, it is a favorite device of railway officials to determine the freight rate on a package of needles from New York to San Francisco. The obvious answer, of course, is that the railroads derive an infinitesimal part of their gross revenue from the transportation of needles, and a truer condition would be obtained by applying the freight rates on coal to the cost at the pit.

For the purpose of argument, however, let us take the case of the paper of needles. The ore must be mined and shipped, converted to pig and steel and reshipped. The package involves several operations in the paper industry and several shipments, while the outside case involves several operations in the lumber industry and several other shipments. All the industries that are engaged in the many operations connected with the manufacture of a case of needles from the forests and the mines use fuel, which must be shipped.

The Connecticut men who make the needles wear cotton from Alabama and wool from Montana. In times of prosperity, these men eat cantaloupe from Imperial County, California; in ordinary times, they eat prunes from Santa Clara County, California; in times of great adversity, they eat beans from Ventura County, California. In all times, they eat food transported by rail a distance of more than 3,000 miles.

Thus, it will be seen that the freight on a package of needles from New York to San Francisco is only the concluding sentence of a three-volume history.

The Freight on Coal

The railroads themselves, not to consider other industries, use about 170,000,000 tons of coal per annum, averaging to cost at present on the consumers' lines about $4.50 a ton. This does not include the cost of movement on the consumers' rails, as such movement is classed as non-revenue freight. The recent action of St. Paul is a case in point. This road consumes about 9,000,000 tons of coal a year, and obtains its supply in the Indiana fields. St. Paul recently leased the Chicago, Terre Haute & Southeastern, a road of 374 miles, mainly to diminish the transportation costs on its own fuel.

Twenty cents a ton on the fuel consumed by the railroads—this representing about 35% of the country's coal consumption—would exceed the dividend on Pennsylvania's stock, the largest single financial requirement of any road.

But it is just as unfair to take coal, which is the largest item of traffic with the lowest tonnage value, as it would be to take needles. If such illustrations were pertinent, one might take the case of the United States Steel Corporation, whose annual freight bill at normal rate of output is about $175,000,000. A 30% addition to this bill would be equal to about 10% on the common stock—the largest corporate issue in existence. In answer to this, an advocate for the railroads would point out that the freight bill of the Steel Corporation is likely to prove more burdensome than that of a dealer in ostrich feathers.

No one needs to be a statistician or an economist to realize that the interest on the country's debt, growing out of the world-war, is likely to be burdensome for many years to come. Yet the increased gross revenues estimated to be obtained from the recent rate increases exceed by 60% the interest on the combined issues of Liberty bonds and Victory notes.

There is no question that the railroads were sadly in need of relief, and the only point sought to be made here is the effect on other industry of the particular measures of relief applied. The roads certainly needed more income, but it is a problem how far the efforts made to achieve this end will defeat their own purpose. Of the $1,600,000,000 expected to be raised as increased revenue, labor is getting $600,000,000 and, judging from the results of September and October, someone other than the security holders is getting the remaining $1,000,000,000.

Relief Too Long Delayed

During the years 1915-19 inclusive, the country could have paid a big freight bill without strain. If 1920 is a fair index of the next five years, it is a question whether the country will be able to pay the same bill so easily. Nevertheless, public authority has arranged the total bill for us so that the larger part will fall in the lean years as the smaller part has fallen in the good.

In August of this year, the premonitory rumblings of a future disturbance were audible to everyone. There were predictions of a general price decline, either through a strike of consumers or a curtailment of credit, and the prices of many basic commodities were then actually going down. That was the month when rate increases expected to produce $1,600,000,000 additional revenue a year were announced.

In August, the first symptoms of a cessation of industrial activity became apparent, and everyone heard a great deal of the forthcoming liquidation of labor through unemployment and the final reduction of wages. That was the month in which the railroads' wage bill was increased to the extent of $600,000,000 a year.

It is true that the railroads and their employees alike were underpaid for their respective services, but public authority was too dilatory in offering satisfactory remuneration to both. Had the rate increase come five years earlier, it would have been in harmony with general economic conditions, and the railroads could have granted a wage increase in harmony with general labor conditions.

Thus, if the experience of the past is to be duplicated, the governmental agencies will get around to diminish freight and passenger rates and cut wages about the time the country is on the verge of another boom. Hence, railroad affairs will be forever out of harmony with all other affairs.

Effect on Industry

Sufficient has been said to show that the rate increases were of great relative magnitude and would be so considered in any times, but also that they were placed in effect at a particular time when the country was the least able to bear the burden.

In considering the kind of traffic or travel that would be most affected by the increases, one would be inclined to say that passenger business would be influenced the most adversely. Such has not been the case during the first few months of higher fares, but a continuance of large passenger travel is attributed to the recent shifting of workers from one center to another. This business is temporary, for, while the shifting may continue, the railroad revenue from this sort of movement will become less and less.

No general rule can be laid down to indicate the sort of industry that will be most influenced by the rate increases. After making numerous and important exceptions, it might be said that the commodities most likely to be affected are those that are bulky or heavy in proportion to their value. One of the important exceptions would be ores and metals derived therefrom, which must be produced wherever they are found. Another exception would be agricultural products suited only to the soil and climate of a particular locality.

Heavy manufactures of comparatively low value are likely to be most affected, such as the coarser products of steel and lumber mills. In other words, small mills with high costs will find their possible shipping radii extended under the higher rates, while large mills with low costs will find their radii contracted, and the relative importance of freight rates to manufacturing costs becomes increased. With freight rates stationary and production costs in all lines diminishing, this relative importance can only be increased in the future until there is another rate

(Continued on page 241)

Progress of British Liquidation

Anomalous Conditions in the Money Market—Improvement in the Bank and Treasury Positions —Outlook for Commodities

By **MAX GOLDSTEIN, Travelling European Representative of The Magazine of Wall Street (Writing from London)**

THE recent stiffening in call money rates in London to 6% indicates the fundamental stringency of the credit position. There is still a notable disparity, however, between this rate and the 6⅝ current for three months' bills, and the bank rate of 7%, not to speak of the high investment yield level to which we have referred before.

At the same time the money situation is decidedly improving, the proportion of reserves to liabilities of the Bank of England having gone up a full point to 11.8%, while the contraction of note issues has been an outstanding feature of the last few weeks' reports. To a large extent business liquidation and depression has been responsible for a decreasing demand for credit accommodation, but the underlying shortage of money may show itself as soon as there is any revival of business activity.

Following the lead of the United States, however, the present movement is all toward reduction of commodity prices, while at the same time demand for ever pressing needs is being held back in expectation of further falls. This is being illustrated particularly in the case of cotton and wool, the metals, notably tin and copper, foodstuffs and miscellaneous goods like rubber, tea, motors, and even steel, the reduction in the latter being helped by French and Belgian competition.

Optimism as to the future is indicated, however, by the continuing stream of new security issues. This is the more noteworthy as, according to a member of the London Stock Exchange, issuing houses are being "left" constantly with 60 or even 75% of the amount of issued securities on their hands. This was notoriously true in the case of the recent £4,000,000 loan to New South Wales, offered on the most attractive terms for a high-grade colonial government issue, but of which no less than 70% is believed to be still in the hands of underwriters. As for preferred and common stocks (or preference and ordinary shares) of industrial corporations, like the Siemens and W. H. Beardmore issues, the securities-purchasing public simply refuses to take any notice, except for a few big buyers who may be already heavily interested in some particular company, and appreciate the necessity of providing it with working capital.

Worst of Liquidation Over

While new buying of "gilt-edged" securities is at a low ebb, however, the worst of the liquidation in this class would appear to be about over. I am told, for instance, by a high financial authority that a block of no less than £5,000,000 War Loan stock, roughly equivalent to our Liberty Loans, changed hands recently without affecting the price more than a shade.

Confidence is being expressed in the ability of the Exchequer to handle its financial and fiscal problems efficiently, particularly if some effective substitute be found for the discredited Excess Profits Duty. It is pointed out that the reduction of the floating debt within the last few weeks amounts to several millions of pounds, while a consistent excess of revenue over expenditures is being shown in the weekly statements.

The magnitude of the problems that confront the Government on the fiscal side may be surmized from the statement that in addition to all maturities up to the end of the calendar year of 1920, and to the floating debt, the Government will have to devise means of taking care of no less than £940,000,000 of National War Bonds and Exchequer Bonds between the first of 1921 and the end of 1925, while maturities between 1925 and 1931 amount to an additional £900,000,000. At the same time the debt abroad, principally to the United States, which is not a pressing problem now, but will have to be settled in some way or other before confidence can be restored, amounts to some £1,178,000,000.

Position of Railways Improving

One factor that has proven helpful within recent months is the fact that the railways are no longer a drag on the national revenue, but are more than paying their own way, as the rate increases awarded some months ago are beginning to show their effect. The agreement with the railroads, which terminates early next year, provides that railroad income must be equalized with the 1913 level, which has hitherto required the outlay of funds by the Government, even when operating expenses, interest, and guaranteed dividends on the shares were covered by railway income. The improvement shown by the recently-published figures for September, by which time the increases for both passenger and freight traffic had gone into effect, is the more noteworthy because of the coal labor troubles and the Irish difficulties, which have caused a considerable net loss in that department of the operations of the Ministry of Transport.

Other industries, however, cannot boast of such good results. Shipping is in a notoriously poor condition at the present time, as there is considerable tonnage pressing for business and little freight offering, most of it being for import, with little export traffic to keep the ships earning their keep on the outward-bound trip. This applies, of course, only to freight traffic, as passenger traffic is particularly heavy for this time of year. Most of the big lines report themselves booked ahead for months. The progress of negotiations for Russian trade and the hoped-for economic improvement in Europe generally, more particularly in Central and Western Europe, are the main dependence of ship operators generally.

Has Rubber Touched Bottom?

The fall in rubber appears to have struck its lowest point, present quotations moving irregularly within a narrow range somewhat above the low of two or three weeks ago. Little interest appears to be excited by the apparently unanimous intention of the rubber growers to cut output by 25% to raise rubber to a more profitable price-level. Money tightness is hindering the operations of rubber goods manufacturers, while there is no anxiety on the part of growers to contract heavily for forward delivery on the basis of present prices. As England is the country most interested financially in the growing of rubber, while the United States is the largest consumer of crude rubber, mostly because of its huge tire industry, the bearing of this situation on American business is evident.

Bullion movements have also been attracting a good deal of attention in the last few weeks. The price of gold, of course, fluctuates with the movements of the dollar exchange, most of the new gold being consigned to the United States. India, however, may take some of it, particularly if a measure goes through which is now under consideration, to make the exchange

(*Continued on page* 251)

New Day Dawning for Canadian Public Utilities

Investment Sentiment Favorable to Future of These Concerns — Many Interesting Recent Developments in the North

By **M. O. HAMMOND**

PUBLIC utilities in Canada are roughly divided into those publicly owned and those still in the hands of private corporations. The provinces of Ontario and Quebec represent the two classes, for public ownership centering in the great Hydro-Electric enterprises flourishes in the former province, while in Quebec there is virtually no public ownership of utilities outside of municipal waterworks systems, and such sections of the Dominion Government railways as pass through the province, if reference to them be justified.

There is a strong sentiment for public ownership in the three prairie provinces, of Manitoba, Saskatchewan and Alberta, with telephones comprising the chief item. Sentiment in the provinces at the extreme east and at the Pacific coast is more divided. Ontario has just taken another great stride in public ownership through the agreement for purchase of the power and radial interests owned by various companies subsidiary to the Toronto Railway Company, of which Sir William Mackenzie is the head. This agreement to purchase, in which the City of Toronto is a participant, with the Hydro-Electric Commission of the province, brings the last of the power companies of Ontario, excepting the Dominion Power & Transmission Company at Hamilton into the realm of public ownership, and creates a monopoly as well as a responsibility, which will be a supreme test of this form of administration. The purchase price of $32,734,000 covers important power development plants at Niagara Falls, transmission lines, a distributing system in Toronto, which had been a competitor of the Hydro, and several radial railways running west, north and east from Toronto. The power system will be merged with its former competitor, the Hydro, and the radials will form the nucleus of a Hydro-Radial system which has been the dream of Sir Adam Beck, chairman of the Hydro Commission and its main force, for many years past.

This question of Hydro-Radials nearly led to a breach between Sir Adam Beck and the present Farmer-Labor Government of Ontario, headed by Premier Drury, who took the ground that more information should be acquired before a costly program of this nature was embarked upon, and appointed a commission which has since been collecting that information. The agreement to purchase the radials in the Toronto section probably means the gradual extension of the Hydro's radial system as rapidly as conditions warrant.

End of a Prolonged Battle

The recent deal with the Mackenzie interests, which will be followed next August by the City of Toronto taking over the Toronto Railway Company at the expiration of its thirty-year franchise, and operating it as a civic concern, ends a long battle between private and public corporation interests. Sir William Mackenzie, who had entered the steam-railroad field by constructing the Canadian Northern as a third transcontinental in Canada, was obliged to surrender that system to the Canadian Government three years ago, because he was unable to make it pay. He has been an aggressive champion of corporation ownership and operation of utilities, but has frequently aroused the antagonism of regions which he served. Now, as he passes the age of seventy with still a number of commercial enterprises on his hands, he surrenders nearly the last of his public utilities to the representatives of the people, upon whom the responsibility will lie to make the great undertaking a financial success.

CANADIAN PUBLIC UTILITIES.
Earnings on Common.

	1919	1918	1917	1916
Brazilian Trac ..	7.01	4.52	4.38	4.77
Cons. Gas	16.95	13.84	18.80	17.79
Laurentide Power	2.70	2.96	1.95	1.47
Mtl., L., H. & P.	5.62	5.56	*3.87	4.00
Mtl. Tram.	..	8.68	22.54	21.29
Quebec Ry.	..	0.95	2.00	3.15
Shawinigan W. & P.	7.50	8.57	8.67	8.87
Toronto Ry.	0.11	4.18	9.12	11.17
Winnipeg Elec....	0.41	0.32	1.08	4.94
Bell Telephone...	8.24	8.57	10.06	10.01

*9 months only.

In taking over the business, the public might well remember an injunction recently presented by Dr. Horace L. Britain, Director of the Citizens' Research Institute of Canada, who in a review of public ownership said:

"The citizens must be told the truth about each of their corporate business undertakings in public reports, which will include all elements of cost. **Undertakings owned by municipalities, provinces or the nation must be operated without deficit, or so as to reach a point within a reasonable time when deficits will disappear.**"

Just here it seems worth while giving an outline of the Ontario Hydro-Electric Commission's operations, which have come to play so large a part in the utilities of the country. Before the Hydro came into existence, private enterprise had begun to develop power at Niagara Falls, and to transmit it 100 miles as far as Toronto. Ten years ago the Hydro began to deliver power at cost to twelve municipalities within 120 miles of Niagara Falls. By the middle of the present year, the Niagara system was distributing 225,000 horse power of energy to 115 municipalities, twelve rural systems, twenty-three companies and five Government industries. The total investment at the Falls and in all the municipalities was $40,693,070, the accumulated reserves were $7,564,370, the aggregate surplus $2,177,934, and the balance of the liabilities $30,950,764.

The boast of the Hydro is that it has brought power at low prices to thousands of remote customers, and that during the period of the war and afterwards, while inflation was developing and maintenance charges consequently increasing, the Hydro actually reduced its rates from time to time.

At present, a great additional enterprise is being carried out by the Hydro in the construction of a power canal from Chippawa, Ont., above the Falls, to a point just above Queenston Heights, and several miles below the Falls, whereby it will get a head of 300 feet through emptying below the rapids, compared with 150 feet at the Falls itself. It is expected that power will be available from this canal late in 1921, and with other power plants in different parts of Ontario there is expected to be available by the end of 1922, through the Hydro, 1,000,000 horse power, representing a total investment of between $160,000,000 and $170,000,000, shared by the province and the co-operating municipalities.

Canadians Have Billion Invested in Utilities

Before leaving the question of public ownership, it is worth pointing out that, according to Dr. Brittain's report, the citizens of Canada have an investment of approximately $1,000,000,000 in publicly-owned and operated enterprises—railways, telegraph lines, telephones, grain elevators, waterworks, light and power plants, etc. This investment has been made through the various governments—Dominion, provincial and municipal.

The investment by the Dominion Government is estimated at $670,000,000 in such enterprises as railways, steamship lines, grain elevators and telegraph lines. The greatest of these is steam railways, including the Intercolonial, Grand Trunk Pacific, Canadian Northern and now the Grand Trunk, which is being acquired, in all with a mileage of 22,000.

Provincial governments' investments in utilities total $124,000,000, Ontario leading with $84,000,000, of which $62,000,000 is Hydro and $22,000,000 railways. The investments by municipalities in public ownership amount to $215,000,000, of which $120,000,000 is in waterworks, $63,000,000 in electric light and power, $17,000,000 in street railways. Ontario leads with $38,000,000 in waterworks and $36,000,000 in electric light and power.

Public ownership does not involve the daily transactions on the stock

market, in which privately owned utilities are so steadily represented, but it involves frequent appearances in the bond market in the sale of securities, usually backed by the province for provincial or municipal undertakings, or by the Dominion Government for federal enterprises.

Quebec Adheres to Private Ownership

It is in the Province of Quebec that one must seek the present chief developments of privately-owned utilities, for there the aversion to public ownership appears to be as strong as the adherence to it in Ontario. Frequent wordy wars are recorded between the exponents of the two systems. As in Ontario, chief interest in utilities in Quebec centers in the street railway and power companies. Taking first the power enterprises, there may be said to be four principal centers, and sources. First there is the Montreal, Light, Heat & Power, developing energy from the rapids of the St. Lawrence River, just above Montreal, and serving Montreal City and Island with electric power, light and gas. The Shawinigan Water & Power Company and the Laurentide Power Company operate on the St. Maurice River, about 80 miles northeast of Montreal, and serve a large industrialized section between there and Three Rivers, where the St. Maurice empties into the St. Lawrence. The Eastern Townships region, southeast of Montreal, gets its power from the Southern Canada Power Company, a comparatively new undertaking, which developed from rapids on the St. Francis River. The City of Quebec is fortunately located a few miles from the picturesque Montmorency Falls, where a drop of 260 feet is utilized by the Quebec Railway, Light, Heat & Power Company, which provides energy for a host of industries in and near the city.

Here it should be said that utilities in Canada, as elsewhere, have suffered through the mounting cost and more or less fixed revenues of the inflation period, and their record for the past six years is a chequered and often a sorrowful one. Dividends have been reduced or passed, shareholders have seen the high prices of 1912 disappear and be replaced by figures that seem a mere song. Only now has the condition shown signs of improvement, with a better appearance in net earnings and an effort in some cases to pay back dividends. In the case of street railways, increased fares have been granted in some instances, and the outlook thereby improved.

A prominent illustration of the privately owned utility is the Montreal, Light, Heat & Power Company, with outstanding capital of $64,126,100, and supplying electric light, power and gas to Montreal and environs, with a population of over 700,000. The company was incorporated in 1901, and granted perpetual rights in and within one hundred miles of Montreal. Its place in the industrial life of Montreal is of much importance as a distributor of hydro-electric energy in Canada's largest city. Under increased charges, its gross revenue has increased during the past few years, and its financial position has been a fairly steady one, as reflected by the range of prices of its stock, which have not varied 15 points in four years. Its net revenue in the past three years has been as follows: 1917 (9 months), $3,242,524; 1918, $4,583,746; 1919, $4,637,853. In August, 1919, its dividend was increased from 4 to 5 per cent.

MONTREAL TRAMWAYS CO.

Montreal Tramways Company is another great privately owned corporation in Montreal, incorporated in 1911 to acquire the properties of the Montreal Street Railway, and other similar lines in the city and suburbs. The franchise is considered unlimited as to time. Like other street railway companies, however, Montreal Tramways has had a less favorable period than many of the industrials in the past four years. Fares have lately been increased, until in August, 1920, the company was granted the right to charge twenty-five cents for four tickets. In June, 1918, its dividend was deferred, but during 1919 and 1920 an effort has been made to pay up arrears by the declaration of three dividends of 2½% each. Its regular rate is 10%.

The company is reducing its adverse position under the benefits of increased fares. For the period from February 10, 1918, to June 30, 1919, its deficit was $1,364,111, while for the year ending June 30, 1920, the deficit was $364,700. Its position in regard to working capital has improved, as, instead of an excess of current liabilities over current assets of $110,525 in 1918, there was working capital of $666,505 in 1919, and $676,240 in 1920. Its stock is now more stable at 125 to 130.

Quebec Railway, Light, Heat & Power Company is another consolidation, operating in and around the city of its name, and handling the entire electric railway, gas, electric light and power business of that region. It has outstanding capital stock of $9,999,500, and bonds of $11,045,000. Much of its securities have been held in Great Britain, and many of these came back early in 1920, until the embargo against overseas paper became effective.

Quebec Railway also had local steam lines, but some of this unproductive property was taken over by the Dominion Government. Its history during the past few years is another tale of increased operating expenses, which rose from $924,817 in 1915 to $1,444,516 in 1919, keeping step with gross operating revenues, which advanced from $1,548,096 to $2,077,621 in the same period. In 1911 the company paid 3% dividend, in 1912 1%, and since then none has been paid. Its stock has aroused speculative interest from time to time, but has always been low-priced. For some years past its current liabilities have exceeded its current assets, so that it has failed to attain a healthy operating condition.

Toronto Railways Improving

Although the Toronto Railway Company is destined to be taken over by the city in August next, it is still an active security on the stock exchanges. Its shareholders, who have been without dividends since March, 1919, look for some compensation in the final adjustment, which will ease their position after the high prices many of them paid for the stock, reaching to 160 in 1911, and now between 50 and 60.

Several sharp advances in wages during the period of wartime inflation greatly increased the cost of operation, and reduced operating income from $2,344,283 in 1915 to $1,393,017 in 1919, while net income fell from $1,212,095 to $13,274 in the same period. There has been no increase in fares, one reason being resentment by the city authorities at the refusal of the company some years ago, when it was prosperous, to extend its lines into newly-annexed portions of the city.

Another traction, for many years also controlled by the Mackenzie interests, is Winnipeg Electric Railway, which is now making rapid progress to a better standing, and lately aided by an increase in fares to six cents. This company had for many years past an excess of current liabilities over current assets, and has not paid a dividend since January, 1916. Its stock is now recovering on the exchanges, and under a change of management—it was formerly a Mackenzie property—it has shown signs of a distinctly better position.

SHAWINIGAN WATER & POWER CO.

Among the power companies, Shawinigan Water & Power Company has shared in the prosperity of the St. Maurice industrial district, to the northeast of Montreal. Many eyes are watching the progress of this region, and, given any sort of continuity in industrial prosperity, the future of such a company should be favorable. The company has increased its dividend to 7% on its paid-up capital of $20,000,000. It is well provided with working capital, and its stock, though not now as active as a few years ago, is fairly steady at a little over par.

The Laurentide Power Company also operates in the St. Maurice River country, mainly in the interests of the Laurentide (Paper) Company, but its actual operation is entrusted to the Shawinigan Water & Power Company. It has capital stock outstanding of $10,500,000 and pays a dividend of 4%.

Also operating in Quebec Province is the Southern Canada Power Company, organized in 1914, and showing a steady advance in business, revenue and profits, the latter being as follows for the past three years: 1917, $194,215; 1918, $210,517; 1919, $263,293. It pays a dividend of 6%.

A nation-wide utility, which has felt the stress of inflation, is the Bell Telephone Company, whose application for a substantial rate increase has been before the Dominion Railway Board this autumn. The company is pressed for extensions, and has represented that present high costs of operations have

(Continued on page 274)

The World's Business

Australia's Exports to America Rapidly Growing—Famine Threaten's China's Trade—Norway Likes American Goods.

OUR GROWING TRADE WITH AUSTRALIA

Australian trade with the United States, says Trade Commissioner A. W. Ferrin, writing from Melbourne, now exceeds that with any other country with the exception of Great Britain.

It is true that the greatest increase in this trade dates from 1915, when war-created conditions interfered with the established course of commerce, but official statistics of the Commonwealth Department of Trade and Customs show that from 1909 to 1913 importations from America had been increasing by an annual increment of over 1,000,000 pounds sterling (pound sterling = 4.866 at normal exchange), and that the war only accentuated an apparently natural growth.

The figures of Australian imports valued in pounds sterling from the United States since 1899 are:

Pre-war period:	
1899-1909, inclusive, average	£5,000,000
1910	6,494,000
1911	7,774,000
1912	9,449,000
1913	9,522,000
War period:	
1914-15	9,585,000
1915-16	15,360,000
1916-17	15,528,000
1917-18	15,193,000
Post-war period:	
1918-19	27,927,000
1919-20	22,360,000

In the consideration of these statistical years it must be borne in mind that at the end of 1913 the Australian Government adopted the fiscal year ending June 30 in place of the calendar year for its computations.

From 1909 to 1910 imports from America increased by 30%, from 1910 to 1911 by 20%, from 1911 to 1912 by 22%, from 1912 to the fiscal year 1915, inclusive, they were practically stationary; then they increased by 60% and remained stationary for three years; the flood of goods after the armistice filling orders which had been held up by lack of shipping increased imports in 1918-19 by 83%, but in 1919-20 imports decreased by 20%.

Comparison of year with year is not very accurate, since orders given in one year are frequently filled in the next, and other disturbing elements enter. It is but fair, therefore, to prorate the imports over a series of years composing a well-marked period. Such a method reveals the fact that in 1910-1913, inclusive, the last four years before the war, average imports from the United States increased 66% over the average for the 11 years 1899-1909. In the four war years imports increased 68% over the average of the last four pre-war years. Including the imports of the two post-war years, 1918-19 and 1919-20, as swollen by the belated delivery of war-time orders, the six years show an increase over the last four pre-war years of 86%.

It is, therefore, quite safe to say that the war is not responsible for the increase of American exports to Australia, that they would have attained their present proportions if there had been no war at all, and that they are but following the course indicated by the import statistics of 1910, 1911 and 1912.

The course of Australia's exports, valued in pounds sterling, to America since 1899 has been as follows:

1899-1913, inclusive, average	£2,600,000
1914-15	4,947,000
1915-16	17,646,000
1916-17	6,783,000
1917-18	10,650,000
1918-19	9,009,000
1919-20	11,990,000

Expressed in percentages, the increase in Australia's exports to the United States since the beginning of the war is much more striking than that of imports from America. The increase in 1914-15 over the average for 14 years before the war was 80%. In 1915-16, disregarding the gold since gold figures for later years are unobtainable, the increase was 105% over the previous year and 300% above the pre-war average. In 1916-17 exports declined, but were still 160% above 1913. In 1917-18 they were again 300% over 1913; in 1918-19, 240%, and in 1919-20, 400% above the pre-war average. Taking the six years since the war began, the increase over the average for 14 years before the war has been 200%, double the rate of increase of imports from America.

FAMINE THREATENS CHINA'S COMMERCE

Reports continue to come in from many reliable sources that China is on the verge of one of the most severe famines in her history. In fact, there is such a lack of food in certain sections of north China and particularly along the Yellow River, that towns are being deserted and the hungry inhabitants are moving into other sections only to find conditions similar to those they left at home.

About 40,000,000 people are suffering from the food shortage and it is feared that fifteen or twenty million will perish unless they get relief before cold weather. Droughts and locusts are chiefly responsible for crop failures, long dry spells either preventing planting or shrivelling the crops, and swarms of locusts devouring what survived the droughts.

It is the farming class that is suffering now, but the urban communities which live off of the products of the farmers and off of foreign food supplies purchased with the money spent in the shops of the towns by the agricultural class, are beginning to feel the effects of the famine. Food prices are double those of normal times and steadily increasing. Purchases of articles other than food supplies from foreign countries are naturally decreasing more rapidly than food purchases and unless some relief can be brought to north China at once, the foreign trade of that great section will be wiped out.

Relief organizations are combining their funds to purchase grain for the stricken people. It is said that under a relief plan proposed by the Government, and which will probably be adopted, the able-bodied will be employed upon public works, building railroads, bridges and dykes, improving roads, irrigation, etc. The results of this labor would have lasting value for the country. But something will have to be done soon.

AMERICAN GOODS POPULAR IN NORWAY

There is a popular and growing demand for American goods in Norway and in many lines the products of this country are used in greater quantities than those of any other country. The predominance of American automobiles and trucks gives a distinct American touch to the street traffic, according to a report just made public by Trade Commissioner Bengston of the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

American agricultural machinery, tools and mechanisms are held in high esteem and the United States now ranks first in the trade of metal manufactures, whereas before the war Germany stood first, the United Kingdom second and the United States third. The American goods in this line are higher in price than those of the other countries but they are conceded to be of better quality.

In the leather-goods trade the United States has also taken the place held by Germany before the war, when three times as many goods were imported from that country as from the United States. It is only in recent years that we have had a direct trade with Norway in textiles and clothing, but we now stand second among the countries exporting these goods to Norway.

Money, Banking and Business

Year-end Selling a Feature

Many Business Men as Well as Investors Looking Around for Something to Liquidate

By G. C. SELDEN

THE 1920 holiday season has brought a greater variety of reasons for selling things, by a greater variety of people, than any previous year within the recollection of active business men. Some of these reasons are:

1. Many have had difficulty in getting the spot cash to pay the fourth instalment of the income tax. Some have had to jettison a part of the cargo to do it.

2. Others are having trouble in closing up their books for the year so as to show a satisfactory condition to banks which are lending them money. Long-swollen inventories have had to be "deflated," as the popular phrase goes.

3. In some cases, overstocked shelves have had to be cleaned off. These instances, however, have been relatively few. Shrinkage of demand—the "buyers' strike"—has been far more influential than oversupply.

4. Some have sold because the fall of prices led them to hope that they could replace the goods at a lower level. Some of these sellers are going to be disappointed, in all probability, when they get ready to buy again.

5. A minor reason for selling of both goods and securities showing big losses from prices at which they were bought, has been the effort to cut down 1920 income taxes, to be paid next year. "Registering losses" can often be done in commodities, as well as in securities.

The selling of bonds, which is reflected in the rise in the average yield of highest grade issues, shown on the graph at bottom of this page, has been mostly due to the above causes. The big factors affecting bond prices—money rates and commodity prices—have both been favorable to a better level, for money has eased slightly and commodity prices have fallen sharply. We can be sure that these main influences will soon assert themselves and that, in spite of the year-end selling, the real trend of the bond market is upward.

Small amounts of time money have recently been loaned at 7%, the lowest rate for almost a year. It is likely that this will become the ruling rate next month. As for the probability of a still lower rate, the attitude of the Federal Reserve Board will determine that. I believe that present discount rates should be maintained until the total of rediscounts at Federal banks falls sharply. A good deal of pressure, however, will come from farmers and business men for at least the maintenance of rediscounts near their present volume, and for the reduction of rates as soon as loans begin to decline. How much effect this pressure will have remains to be seen, but it seems to be a fair guess that the Board will stand firm. In that case, not much time money will be loaned below 7% next month.

Better times are not yet predicted by any important rally in industrial stock averages. There is, however, a growing amount of investment buying of the better class stocks, and this will have its effect in due time. The bear market has already lasted longer than the average of past bear markets.

Although the drop in commodity prices has been the most precipitous ever known, there is not the same reason for expecting a sharp rally as would exist after a similar fall in stocks, since there is no short interest in commodities, except for the few that are actively traded in on exchanges. It is to be expected that commodities will gradually settle at a low level, and any substantial improvement in business profits can hardly be counted on before April, with some probability that it may be delayed two or three months longer still.

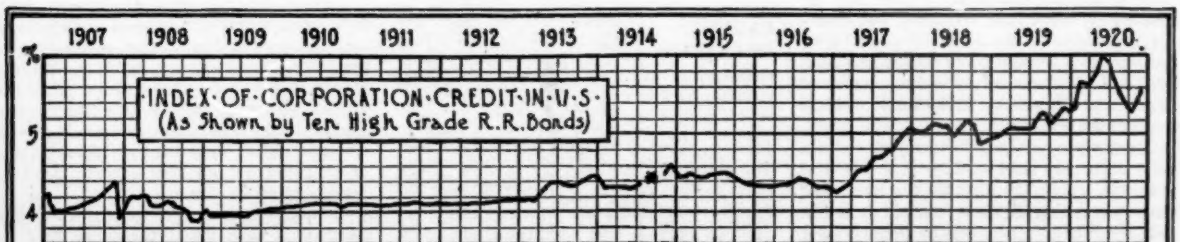
Copper is now lower than anybody thought it would go and is well below the average cost of production. Of late there has been a slight stiffening of the price, but the trade does not believe any considerable advance can begin just yet.

U. S. Steel's unfilled orders will presumably continue to fall off for the next six months, and pig iron production, naturally a little behind them in changes of trend, will now go along with them. Coal production has so far been well maintained because there was a vacuum to fill. In view of the industrial dullness, it is likely that coal production will fall further.

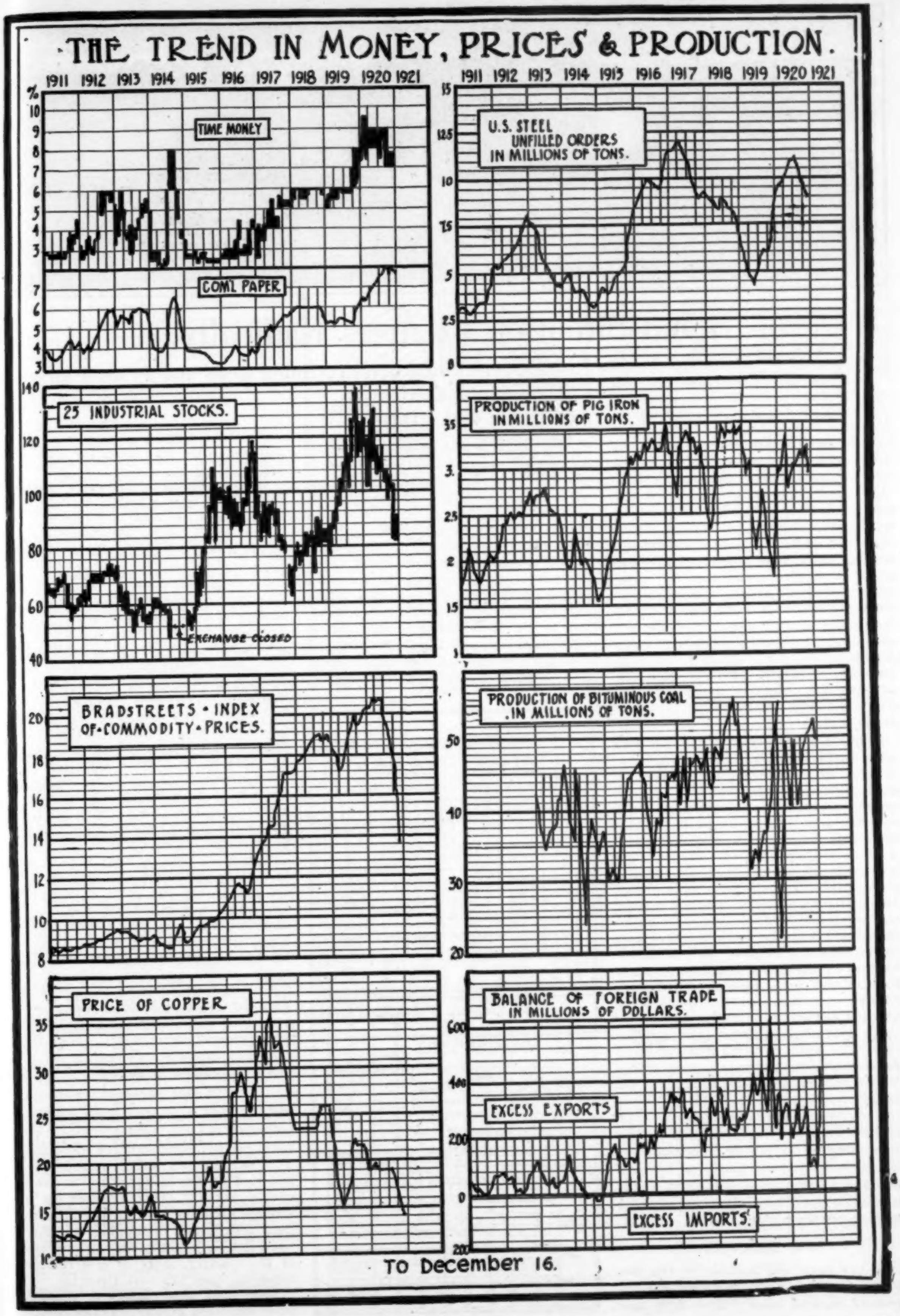
Our export trade in October confounded the prophets, exceeding imports by $390,000,000, the largest monthly balance since the middle of 1919. It is clear that this is in large part due to the fact that American prices have fallen faster and farther than foreign prices. America has become a much better market to buy in.

Our efforts to promote foreign trade have so far been handicapped by the painful scarcity of our own funds and credit. This condition will be considerably relieved next year, and our big business men may be counted on to go after foreign business more aggressively. There is also the possibility that our imports may be checked by tariff revision upward.

Looking further ahead, however, our export balance is practically certain to decline gradually for six or eight years. Doubtless we shall even have an import balance eventually, a possibility which ought to be shorn of its terrors now that we have become a creditor nation to a degree beyond our wildest pre-war hopes.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yield) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.


THE TREND IN MONEY, PRICES & PRODUCTION.
1911 1912 1913 1914 1915 1916 1917 1918 1919 1920 1921
TIME MONEY
COM'L PAPER
U.S. STEEL UNFILLED ORDERS IN MILLIONS OF TONS.
25 INDUSTRIAL STOCKS.
EXCHANGE CLOSED
PRODUCTION OF PIG IRON IN MILLIONS OF TONS.
BRADSTREETS · INDEX OF · COMMODITY · PRICES.
PRODUCTION OF BITUMINOUS COAL IN MILLIONS OF TONS.
PRICE OF COPPER
BALANCE OF FOREIGN TRADE IN MILLIONS OF DOLLARS.
EXCESS EXPORTS
EXCESS IMPORTS.
TO December 16.

Coal Situation Changes Radically

Charges of Profiteering Amply Justified on Comparison of Mining Costs and Prices Extracted from the Consumer

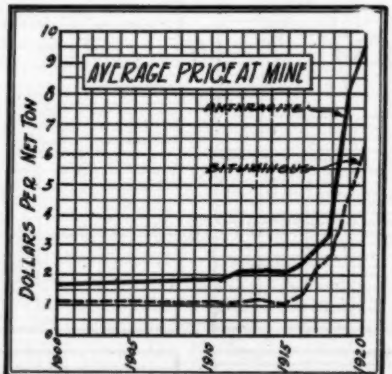
By **E. D. KING**

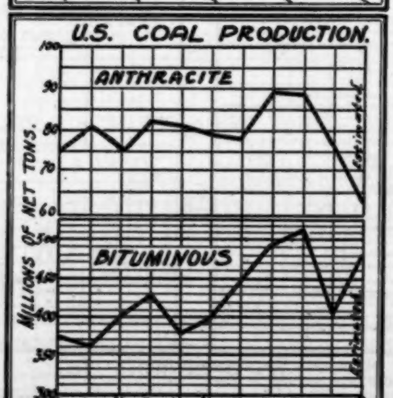
A SUDDEN pall of gloom has descended over the coal industry. Salesmen are scurrying around the country trying to get orders and are not getting any. Europe points to her huge stocks and tells us she doesn't want our coal. To cap the climax, the weather man has decided that winter is to be delayed indefinitely. Is it any wonder that the coal interests are getting nervous? Yet if one cannot refrain from smiling with pleasure at the discomfiture of the coal people, can one be blamed? We have suffered long. In the meantime, several energetic senators are indulging in the conventional comedy of inquiring into coal profiteering.

While the inquiry is going on, let's steal a march on the senators and mention a few reasons for the advance in coal prices—reasons which should be patent to everyone. Some of the alleged reasons were legitimate. Most of them were not. Here are the legitimate ones: The increased cost of shoring and pumping; the cost of labor (something about which I shall have some things to say later), and the undeniably poor car service. These all had a lot to do with the increase in coal prices but they by no means accounted for the whole business. The most important reason for the high price of coal was the excessive speculation in the commodity and the flagrant profiteering carried on by hordes of speculators and middlemen, who were attracted into the trade by the sudden avenue of quick riches which seemed open to them. These people would buy a car load of coal at the mines and sell it and resell it over and over again, every individual having something to do with the operation of adding a substantial profit to his own account. Under the circumstances, it is not strange that coal prices mounted to inaccessible regions.

As to Labor's Part

It has been the fashion to put the blame for high coal prices on the increased cost of labor. How little this has to do with the situation is shown by the fact that the 27% wage increase granted the miners, increased the cost of coal no more than 50 cents a ton, whereas the consumer had to pay, in many cases, an increase of from $3 to $7 a ton. As a matter of fact, even under present conditions, labor costs amount to no more than $3 a ton—a survey of the operations of 566 operators showing actual total costs of mining to be $2.66 a ton in the period April-July last. Of this, labor received only $2.04 a ton. It is plainly evident that labor costs cannot be legitimately claimed to be the reason for high coal prices.





If we come to freight rates, we may arrive at a nearer reason for the high cost of coal. It cost $4 to move a ton of soft coal from the Pittsburgh district to the New York docks. It is therefore apparent that the biggest item in coal costs is transportation. The big coal operators themselves make only a small margin of profit on their sales. This is estimated in the case of the 566 operators mentioned above at 65 cents a ton, from which must be deducted all fixed charges and administration expenses, including income and excess profits tax. Let us sum up: The total cost of coal production may be put at $2.66 a ton; operators' margin of gross profit amounts to 65 cents a ton, making a total of $3.31 a ton. Add to this, freight charges of $4 a ton, as in the case of Pittsburgh-New York rates, and we arrive at a grand total of approximately $7.71 a ton, for bituminous coal.

Now $7.71 a ton is more than it used to cost to produce coal, but even so it did not justify the price of $13-$14 a ton which was asked last August. In other words, there was a difference of approximately $5-$6 a ton between the total cost of production, including operator's profits and transportation, and the price received from the consumer. This difference of $5-$6 all went to the numerous speculators and middlemen who extorted their profits. That there has been extensive profiteering in coal, therefore, cannot be denied.

Coal Scarcity?

In the early part of the year, the coal interests and the coal consumer were hard hit by transportation conditions. The switchmen's strike raised havoc and tied up the industry for a considerable period. This resulted in restricted facilities for transportation and poor distribution of supplies, and led to considerable scarcity in various parts of the country, more or less remotely removed from the coal districts.

Since that time, however, conditions have improved greatly. Transportation

is practically normal and more or less prompt deliveries are made, especially of soft coal. As a result, production has speeded up to a great extent. This year's production of soft coal, as shown by graph I, will be about 77,000,000 tons ahead of last year and incidentally one of the biggest outputs in the history of the coal industry. Danger of a soft coal famine has long since passed. Indeed, there is very much of a question whether there is not some overproduction. At least the drop in industrial demand and in exports would seem to tend in that direction, if the present rate of output is maintained.

Anthracite is not in so good a condition with regard to production. The unauthorized strike of last September made serious inroads into production. Nevertheless the rate of output is now up to normal, and despite the loss occasioned by the "strike," this year's production will not fall very far behind that of last year.

Exports Decline

A great deal has been made of our export trade with Europe in coal. The total exports to Europe this year, incidentally the largest in history, will have amounted to about 28,000,000 tons (see table) for all varieties. This looks like a very large figure but it is relatively insignificant as compared with the total consumption rate of this country. This year we shall have consumed about 520,000,000 tons of anthracite and bituminous coal. Exports therefore amount to only 5.26% of United States consumption. They absorb only 5.09% of the total production of the country. Nevertheless exports do cut some figure, and while even comparatively they do not amount to much, the coal industry will feel the now approaching cessation of European exports. If we should lose only one-third of our coal exports, something which is suggested by the present state of the export situation, this would pile up a surplus of approximately 10,000,000 tons over here, something which the coal industry cannot stand in view of the industrial depression now in full swing.

The drop in exports means nothing of any great importance in itself, but in the effect which this development will probably have on piling up excessive stocks under present unfavorable conditions, this begins to assume considerable importance. To put it another way, if our coal exports could have been increased or at least maintained on the basis of recent volumes, the drop in domestic demand would have been partially offset. As it is, the combination of both factors is working quite adversely to the coal trade.

The coal demand is notoriously inelastic and a drop of only 5% would pile up a tremendous quantity in very little time. A drop of 10% would break prices absolutely. There is no way of telling how much demand has declined but taking into consideration the evident drop in exports and the present industrial situation, it is not difficult to conceive that coal is being piled up faster than it can be sold.

How Coal Is Used

A clue as to the probable demand for coal is offered by an examination of the attached graph, showing the uses of coal. As shown by this graph, 46% of the coal mined in this country goes to the railroads, gas works, the coal mines (for operating purposes) and domestic heating and cooking. This is a static

PRODUCTION, CONSUMPTION AND EXPORTS

	Total U.S. Consumption	Total Exports	Total Consumption & Export	Total U.S. Production
	—In millions of tons, net—			
1910..	434	13	447	452
1911..	426	15	441	442
1912..	457	17	474	476
1913..	484	20	504	508
1914..	441	19	460	458
1915..	453	18	471	474
1916..	503	22	525	526
1917..	557	24	581	580
1918..	584	25	609	605
1919..	474	22	496	486
1920..	*520	*28	*548	*548

*Estimated.

quantity and is hardly likely to vary widely. Of the balance of 54%, this may be said to consist of demand which may have considerable fluctuations. These go to the following: exports and bunker, coke production, and the various industries. Under present conditions, we can expect a decline in the demand from all these latter sources. How much this will amount to it is difficult to say, as this will depend altogether on world-wide economic conditions. One can safely assume, however, that with the steel industry slowing down that there will be some falling off in coke production and consequently in coal demand, and that with the decline in operations in the textile, automobile, tire, and other industries, that there will be a great decline in soft coal demand from these sources. Also the mildness of the winter season will have some effect on the anthracite situation.

The Outlook

Soft coal prices have already been cut in half. Where some grades of bituminous coal sold at the mines at about $12-$13, they can be had at $5-$5.75. It is difficult to estimate where soft coal prices can go, as there are many varieties, some of these subject to special considerations. However, speaking generally, soft coal has had a very big drop and at around these prices probably represents a level which will be maintained for some time, this depending entirely on general business and industrial conditions. Should industrial and export conditions get worse, however, there is no reason to believe that soft coal could not at least get down to its average price of $4.50 a ton in 1919, at the mines (see graph III.) Even this would allow a very fair profit to the coal operator.

The trend for anthracite now appears much clearer than for some time past. Speaking generally, anthracite prices are still near their peak. The average price at the mines is $9.50 a ton, which is nearly 200% above 1918 prices. Evidently it has some room for a decline.

Speaking broadly, conditions do not favor the coal industry. It has profited extensively from abnormal conditions and now that these conditions are tending to disappear, the main prop of abnormal prosperity vanishes. One should not be deluded, however, into the belief that coal prices will get back to their pre-war averages. This is impossible, principally owing to the increased cost of labor and transportation, with special emphasis on the latter. However, with the elimination of profiteering such as is quite completed in the soft coal industry and about to be completed in the anthracite industry, a more reasonable price level, maintained more or less permanently, may be anticipated. The advantage now rests with the buyer, and taking into consideration present and probable future conditions, the advantage will rest there for some time.

HOW FAR PRICES HAVE FALLEN

According to the calculations of the New York Federal Reserve Bank in its monthly review, the largest declines from the top prices of the present year have been in rubber, which has fallen 53.5%; in corn, which has fallen 52.7; in sugar, with a decline of 54.5, oats with 57.4, coke with 55.6, bituminous coal with 61.5, silks with 63.5 and potatoes with 71.7. The smallest declines on the list have been in lumber, which has fallen only 10.5%, pig iron, with a decline of 12.9, and steel with 14.3.

The Future as Financial Leaders See It

Formation of Hundred Million Dollar Export Corporation Warmly Supported—Bankers and Business Men See Turning Point Near

EUROPE BADLY IN NEED OF SURPLUS AMERICAN GOODS

John McHugh, Chairman of Bankers' Conference, Describes New Avenues for Trade

NOTE.—*In a special article written for* THE MAGAZINE OF WALL STREET, *appearing on page 223, Mr. McHugh has stated very clearly and concisely the purpose of the bankers' Foreign Trade Financing Corporation and what it means to American trade. In his speech at the organization meeting of the corporation, reproduced in part below, he discussed some other interesting angles of the subject.*

"IT is estimated that the floating debt of foreign countries to ourselves, thus created, has now reached almost $4,000,000,000. The creation of this great debt has served one purpose. It has enabled our foreign trade to go on. It has brought our total foreign loans to $15,000,000,000, and enabled us to pass Great Britain as the leading creditor nation of the world.

"It is unquestionably true that $4,000,000,000 of floating credit, extended to facilitate our export trade, has been one of the leading factors in bringing about the credit stringency in the United States, and that stringency, in turn, has been one large factor contributing to the recent violent decline in commodity prices.

"Our extraordinary prosperity has stopped. Factories and mills have shortened their hours of work; many even have closed down. As for prices, these have fallen sharply; in the last half year wholesale prices on an average have dropped 25%. Corn, the country's greatest food crop, is selling for less than one-half its price of a few months ago. Cotton, our greatest single export commodity, upon which a great section of this country depends for its living, has fallen from more than 43c a pound earlier in the year to below 16c per pound.

"Goods prepared for export have backed up at all our seaports owing to ineffectual means to finance their shipments, and our markets are glutted in consequence. **Yet the irony of it all is that the outside world could use all the surplus products we might spare, and Europe is still calling urgently for our goods and for our aid.**

"For practical purposes there remains in Europe more than sufficient strength to supply collateral for the credits that might be advanced for the purpose of financing American exports. There are businesses and enterprises abroad well able to offer securitity for our loans, if we care to extend them. Great Britain has shown the soundness of its economic system lately by its steady progress in restoring its exports and in balancing its trade. France has made amazing progress in reconstruction.

"Taking the broadest possible view of the opportunity that is before us, as American bankers and business men, our duty seems now to be plain. It is, if I may be permitted to put it as I see it, to set up the machinery that will enable us to meet the situation that now exists, and shape that situation to our advantage. We are presented with the opportunity to finnace our trade with the outside world on a stable and permanent basis, through the instrumentality of this great corporation which we have in view.

"This plan does not suggest inflation. Nor does it suggest the absorption of existing credit. What it does suggest is the setting aside, through the exercise of sane economy, of a reasonable percentage of our great annual production of wealth, estimated at $70,000,000,000. It suggests the investment of that reasonable percentage in securities growing out of our steadily increasing foreign trade.

"In considering the future activities of this corporation, it is not contemplated that we, as a people, shall go on indefinitely selling to the outside world more than we buy from it, and indefinitely increasing our loans to the world in the meanwhile. That cannot happen in any case. Ultimately, as the annual interest due to us grows, other nations, in paying it, will send us more goods than we send them. But what is contemplated is that we, as a people, desire to maintain our export trade on sound principles, avoiding any sudden changes that might have disastrous consequences.

"There is one thought that should be touched upon; namely, that of the people to whom our future credit may be extended in the advancing of our foreign trade. It is our suggestion that the scope of the proposed corporation shall be literally world wide; that its activities shall profitably expand in whatever direction that sound business principles dictate. **That means, of course, every country of** the world where we can with safety and benefit sell American goods."

ON Saturday, December 11, banking interests from all over the country met at Chicago for preliminary meetings looking to the formation of the new $100,000,000 Foreign Trade Corporation under the Edge Law.

The Edge Act provided for the establishment of corporations which may receive foreign securities approved by the Federal Reserve Board and issue debentures against them to an amount not exceeding ten times their capital. With the proceeds of the debentures they may enter into the business of providing credit for foreign trade. Thus, the $100,000,000 Foreign Trade Corporation, if organized, will have a loaning power amounting to $1,000,000,000.

The hugeness of this undertaking makes it one of the most important developments in the foreign business relations of the United States. What some of our more prominent business and financial authorities think of it may be learned from the excerpts from their recent speeches printed on these pages.

FOREIGN MARKETS WILL BE LOST IF WE WAIT TOO LONG

A. C. Bedford, Chairman, S. O. of New Jersey, Approves Plan to Extend Aid

"A good many people look at the foreign trade situation, I suppose, from the recollection they have or the vision they have of what has been told them of conditions abroad. That is very natural. You see a vision, perhaps, of destroyed factories and ruined fields, and men who have lost their all during the war. And so, perhaps, we are looking at them on the credit side a little bit through the small window of our credit man's cubbyhole, and looking at them askance because we think their credit isn't good.

"But there is one factor which you forgot entirely, and a factor that is a potential and always has been a potential factor in the financial world, and that is that this man who wants our credit today is the same man we have been doing business with for a good many years, and he is the same honest, straightforward, square business man, and deserving of consideration. If we want the trade of Europe we have got to help Europe now, and help her when she is in need of help, and not wait till she is on her feet and then expect that we can then get her trade.

"It is my firm belief and thought and feelings that it is some such organization as is being discussed here today which is going to help toward that situation, to remedy it, to help it and to cement the bonds of amity and friendship and good will that ought to exist between the United States, Mexico and those nations abroad."

ENLARGEMENT OF AMERICAN INDUSTRY OFFERS UNLIMITED OPPORTUNITIES

William C. Redfield Would Not Stop at Financing Immediate Requirements

"There is no limit to the world that opens before us if we have got the vision and the courage to do a very simple thing, and that is—put American money into American-owned and American-run and American-controlled industries and institutions all 'round the globe. We have got to deal, after the present emergency, with a permanent situation. Perhaps to-

day, to help the food go forward and the materials for clothing that the world needs, perhaps those things are now to be done. But not for long, let us hope, because if that is all that is done, we shall have failed.

"For the ultimate purpose must be, unless we are to wither and become a distinctly second rate nation, as we will, maybe, if we are second rate in courage and in vision, regardless of our size and wealth, that unless we can step further than financing current transactions, unless we pass beyond the merchandising stage and become constructive, till the American flag is known as that which builds up to stay, all around the globe—unless we do that, we shall come short of our high privilege."

LONG TIME CREDITS ABROAD WILL CURE OUR ECONOMIC ILLS

Herbert Hoover Calls It Only Means of Restoring Trade

"I believe that if you succeed in the project you have set out upon this will have been the most momentous economic conference since the armistice. We must face the issue that the economic ills we suffer in large degree arise from the vicious economic circles that can be broken in one way only, and that is by the establishment of credits abroad. Not the dangerous short time credits in which we have already overextended, but the long time investment in reproductive enterprise."

ACTIVE RAIL SHIPMENTS AGAIN IN FEW MONTHS

President E. E. Loomis, Lehigh Valley, Expects Quick Readjustment

"The normal demands of a country the size of ours are sufficient to keep the equipment of the railroads employed. Foodstuffs must be moved and manufacturing centers supplied with raw materials.

"The present slump in business, which, in turn, is being reflected in falling off in freight shipments of the railroads, will not last long. After a few months of such readjustment as is now going on, a revival of activity is to be looked for."

CLOSE OF YEAR MARKS TURNING POINT IN NATION'S BUSINESS

Federal Reserve Board Sees Final End of War's Effects

"The fiscal situation both at home and abroad is still uncertain, due to the fact that while the war was technically over at the signing of the armistice it was not over in the financial sense until a long time later, while it has not been possible during the readjustment period to place public finance in any country upon its peace-time footing, pending much closer ascertainment of the best method of taxation.

"The close of the year 1920, however, in spite of the fact that in some branches of economic and financial life there is still much progress to be made before reaching a definite basis for further growth, must nevertheless be regarded as quite unmistakably a turning point in the process of transition from conditions produced by the war to the normal economic basis of international and industrial life."

MANY FACTORS POINT TO TRADE REVIVAL

Francis H. Sisson Expects Improved Credit Early Next Year

"While the readjustment period through which we are passing is necessarily painful, the process is wholesome and beneficial, and, fundamentally economic conditions in the United States are absolutely sound.

"The crops this pear have been bountiful. Our transportation facilities have been vastly improved through increased efficiency under private control, which has been equivalent to adding 600,000 freight cars to the railroad service. Such bettering of the transportation service is very vital, for the railroads are the arteries of our economic body, and if we would have credit—the lifeblood of commerce—circulate freely and strongly those arteries must not be permitted to harden or deteriorate.

"Another extremely important factor that is gradually but materially effecting a betterment in our industrial situation is increased efficiency per man among our laborers—since jobs have ceased to seek men and men are seeking jobs.

"In view of these factors it would seem probable that an improvement in credit conditions will mark the early part of 1921 and that a new and more stable basis for business is in prospect. We should plan accordingly for the next twelve months with vision and courage—vision to see realities and courage to face those realities and act."

DEMAND FOR RAIL TRANSPORTATION CERTAIN TO INCREASE

President Willard, of B. & O., Considers Rail Issues Best Possible Investment

"It is not likely that the demand for rail transportation will materially lessen in the immediate future; on the contrary, it is as certain as anything can be that the demand will greatly increase.

"It is doubly important that the railroads should have good credit: first, without credit they would be unable to provide adequate facilities with which to serve the public; and, second, without good credit the price which they would be obliged to pay for new capital, provided they were able to obtain it at all, would be greater than otherwise would be necessary. It is just as much in the public interest that the railroads should obtain their capital on favorable terms as it is that they should buy cars, locomotives, steel rails, or anything else on favorable terms and conditions.

"Considered as a whole, I know of no industrial or gainful enterprise at the present time in whose securities one would be justified in feeling greater confidence as long-time investments than in the securities of the American railroads under a policy of regulation as outlined and provided in the Transportation act of 1920."

NATION WHICH WITHSTOOD WAR CANNOT FAIL IN PEACE

Secretary of the Treasury Houston Says Only Need Is Wisdom

"That a nation which so splendidly withstood the greatest financial strain of history can now satisfactorily cope with the much less serious situation confronting it and attain its objective would seem to admit of no reasonable doubt. Its failure to do so would be a reflection on the patriotism as well as on the intelligence of its people. It emerged from the war incomparably strong. It has immense liabilities; it has great debts; but it has enormous resources, and the only question is whether it will utilize and direct them wisely.

"The need of the exercise of plain common sense, of patience, of the effective realization that burdens of war do not end with the fighting, of hard work, of thrift and of economy, private and public, Federal, State, county and municipal, is so obvious as to render emphasis and discussion of it unnecessary."

COPPER INDUSTRY IN INCREASINGLY STRONG POSITION

Prest. Stephen Birch, of Kennecott Corporation, Has Faith in Future

"The copper industry has a good perspective. Today it is in a position where a sustained buying demand would dissipate stocks on hand in a comparatively short time and result in consumption running well ahead of production. There is a big potential demand from public utility, telegraph and telephone companies. Industry and commerce the world over must adopt electricity to conserve fuel.

"Continental European countries will in all probability adopt extensive programs for hydro-electric development. This will call for large quantities of copper. On account of the exchange situation foreign buyers are only taking what copper they actually must have and because of this condition and the general lack of available funds reconstruction work abroad since the war has been greatly limited.

"For what work has been done quantities of war scrap copper and brass have been utilized but this source of supply will soon be exhausted. A real era of reconstruction must inevitably occur and rebuilding and new construction will require great quantities of copper and brass.

"In this country, also, primarily due to the high cost of labor and materials, there has been little new construction since the war. With a readjustment in these conditions, which is now under way, this work will be started.

"In general the return to normal conditions must mean a largely increased demand for copper for all purposes, both abroad and at home. Just so long as the present hand-to-mouth buying continues just so much greater will the accumulated need grow."

EDGE CORPORATION WILL RESTORE FARMERS' BUYING POWER

J. R. Howard, Chairman Amer. Farm Bureau, Endorses Move

"The property of this country, which is not now so promising, will not again be in full swing until the buying power of the farmer is restored. This proposed corporation, as I understand it, will help the even flow of our farm products from the farm through the markets of the world. I am sure we are for it."

Railroads

Bonds and Stocks

Railroads in Southern Region Not Prospering

Increase of Twenty-five Per Cent in FreightTariffs Was Inadequate to Meet Requirements of This Group of Carriers

By **CHARLES REMINGTON**

THE operating results of September and October show that the railroads in the Southern Region are in a plight—not as serious as that of the New England roads, perhaps, but serious enough to arrest attention. There is, however, one important difference in the positions of the roads in the two groups. The troubles of the New England roads are fundamental, and are an outgrowth of unavoidable operating conditions in their territory. The troubles of the Southern roads are the result of temporary conditions, admitting of fairly prompt correction.

Like the New England roads, but in lesser measure, the aggregate investment of the Southern roads will show an excess over the companies' property accounts. Nevertheless, the Southern roads, with the exception of the New England roads, are earning the lowest percentage of any group on their book values.

The preliminary valuations of railroad property have progressed far enough to show that the final figures will be above the companies' book accounts in the Eastern and Southern groups and below in the Western group. New England forms a part of the Eastern group and the large excess of values in that district has been discussed in a former article. The valuations to date in the Eastern group outside New England show deficiencies from the book values, but these apply to the weaker companies, and it may be expected that the valuations of the larger systems, none of which has been completed, will show an excess over book accounts for the roads of the Eastern group outside New England.

In the Eastern group generally as well as in New England, the excess of values over book statements will be due to the high values of lands. This sort of investment contributes nothing directly to operating revenues. The excess in the South is the result of cheap labor employed in construction, just as the deficiency in the Western group is the result of dear labor.

Valuation of Southern Roads

Of the Southern roads, tentative valuations have been issued for four and preliminary reports for ten, or a total of fourteen, representing 8,061 miles. These are shown in Table I, the first four being tentative valuations and the last ten preliminary reports. There is little practical difference in the two classes. The tentative valuations have been served on the companies and the preliminary reports have not, but each is based on the same sort of an investigation and embodies the same kind of a report.

The fourteen valuations include most of the weak roads in the South, except Seaboard Air Line, and a few of the sound, but none of the large roads. Several of the subsidiaries of Southern Railway are included and the net excess for these properties indicates that the parent will also show an excess. Louisville & Nashville is not included and the earning record of this company for many years is the best indication that it will show a large excess. Such an assumption is further justified by the large excess of Louisville & Nashville's subsidiary—Nashville, Chattanooga & St. Louis.

TABLE I.—PRELIMINARY VALUATIONS OF SOUTHERN ROADS.

Carrier	Cost New & Land	Book Investment	Excess or Deficiency
Atl. Bir. & Atl. Sys	$27,471,817	$39,255,787	$11,783,970
Ga., Sou. & Fla.	11,529,113	12,273,374	744,261
Norfolk Sou. Sys	27,087,878	30,617,459	3,529,581
Winston-Salem	5,939,099	5,598,558	340,541
Central of Ga.	73,609,448	62,003,324	11,606,124
Southwestern	10,939,677	5,191,100	5,748,777
Charl. & West Car.	11,690,000	8,279,503	3,410,497
Fla. East Coast	47,966,920	48,207,859	240,939
Mobile & Ohio	50,935,758	45,897,658	5,038,100
Nash., Chat. & St. L.	61,167,041	42,066,246	19,100,795
New Orl. Great Nor.	7,507,614	16,045,669	8,538,055
Sou. Ry. in Miss.	5,446,569	610,656	4,835,913
Gulf & Ship Isl.	10,852,455	14,170,083	3,317,628
Ga. R. R. & Bank	14,144,394	5,430,000	8,714,394
Totals	$366,288,043	$335,647,336	
Net excess over book investment			$30,640,767

On a book value of $335,647,336, these fourteen roads show an excess of $30,640,707, or about nine per cent. If the rest of the properties turn out similarly in future valuations, the roads of the Southern group will show an excess over their book accounts of more than $200,000,000.

For the same reason that the Southern roads were economically built, they were economically operated. Normally, there has been a labor surplus in the South and a labor shortage in the West. This fact, together with the difference in the cost of living, has maintained wages at a higher level in the West.

It is probable that the Director General, had he been able to do so, would have equalized the cost of living in all parts of the country, but he was forced to content himself with equalizing wages. At present a railroad worker who needs no fuel for heat receives the same wages as one who does, and the Southern roads are paying for the fuel that their employes would burn if they lived in a colder country.

Tariff and Wage Increases

All the tariff increases placed in effect by the Director General were horizontal; that is, they applied in equal ratio to rates previously in effect. The last rate increases placed in effect by the Interstate Commerce Commission were by regions and as follows: Eastern, 40%; Southern, 25%; Western, 35%; Mountain-Pacific, 25%.

Thus, it will be seen that the Southern region, which had had the greatest wage increase based on pre-war conditions, was given the smallest rate increase except in the Mountain-Pacific region, where the wage increase has been least.

Several railroad men, who may be deemed neutral, have expressed to me the opinion that the Southern roads were unable to make out a case for a greater increase in freight rates than 25%. This is doubtless true, but the manner of calculating the increases was prejudicial to the roads in that region.

The increases in all the regions were based on the result of operations in the year ended October 31, 1919, this year having been selected in order to avoid November, 1919, in which the coal strike proved very disastrous to the railroads. But the South experienced an unprecedented boom during the war and the activity was carried well over into the post-war period. The high price of cotton and the unusual industrial activity might have been matched in other regions, but there is

no factor to offset against the troop concentration in the South, where most of the cantonments were situated.

Nothing can explain the ability of the Southern roads to make good showings on the greatest wage increase in the country except the record business in their territory, and it is unreasonable to expect them to continue to make good showings on the lowest rate increase during a period of declining business.

Two Months' Income

Not all the roads in the Southern region have yet reported for October, but the results of seven of the principal companies for September and October are shown in Table II. Six of these companies reported net operating income of $6,692,872, Central of Georgia having had a deficit for the two months. Calculating September and October as 20.5% of the traffic year, this would be at the annual rate of $32,560,000, compared with $61,830,704 standard return for the seven companies. In other words, these roads earned 52.7% of the amount they formerly received as rental.

The standard return of all the roads in the Southern region was $102,020,396. On this rental, the Southern roads earned for the Government $110,740,325 in 1918, or 108.5%, and $53,937,173 in 1919, or 52.9%. If the seven roads reporting are an index of the whole in the same region, the Southern roads in September and October did no better than in 1919.

Moreover, standard return was inadequate to provide anything like 6% on the aggregate property investment of the carriers in the Southern region. For the temporary purposes of rate-making, the Commerce Commission estimated the investment of the Southern roads at $2,500,000,000, on which 6% would be $150,000,000.

Standard return was only 68% of the sum estimated by the Commission as a fair return for the Southern roads. Taking the seven roads reporting as a basis for the whole, the Southern roads in September and October earned about 36% of the sum to which they were entitled.

Atlantic Coast Line

In September Atlantic Coast seems to have gotten little benefit from the rate increase, because the gross showed only a nominal gain. This resulted in an operating deficit for the month. In October the rate increase was fairly well reflected, but net operating revenue was smaller than for October, 1919 or 1918.

The result of the two months was a net operating income of $646,887, which would be at the annual rate of about $3,150,000. With other income, this would nearly cover the company's charges, but most of the other income is derived from Louisville & Nashville, which, in the same two months, earned about half its dividend requirement.

It is true that Atlantic Coast Line is doing better than many of the Southern roads, but a mere cover of fixed charges is a pretty poor showing for a company that is paying 7% on its stock and has been earning about 10%.

Central of Georgia, which is controlled by Illinois Central, received a fair measure of benefit from the rate increase, as reflected in its gross for both months, but it saved less than nothing for net. The operating income of $33,241 for October was more than absorbed by the operating deficit of $86,470 for September, leaving a net deficit for the two months of $53,229. Yet the valuation of this property shows an excess over its book accounts of $11,600,000.

TABLE II.—NET OPERATING INCOME COMPARED WITH RENTAL.

Carrier	Sep. & Oct.	Annual Rate	Federal Rental
Atl. Coast Line	$646,887	$3,150,000	$10,180,916
Cent. of Geo. (def)	53,229	....	3,408,809
Louis. & Nash.	1,853,257	9,000,000	17,310,495
Mobile & Ohio	285,817	1,400,000	2,897,478
Nash., Chat. & St. L.	217,351	1,060,000	3,182,089
Seaboard Air Line	1,117,188	5,450,000	6,497,085
Southern Rwy.	2,572,372	12,500,000	18,658,893
Totals	$6,692,872	$32,560,000	$61,830,704

Louisville & Nashville reversed the trend of most roads, both in the South and out, by making a better showing in September than in October. This is the more surprising because gross showed little decrease. In September the company saved $1,249,612 net out of $11,946,335 gross and in October only $603,645 net out of $11,592,765 gross. The two months are at the annual rate of about $9,000,000, equal to about $3.50 a share on the stock.

Taking the position of Atlantic Coast Line and Louisville & Nashville together, little hope can be derived from the situation, because, while the former is improving its operating results, the latter is retrogressing.

Mobile & Ohio, one of Southern Railway's subsidiaries, operated in the two months at the annual rate of about $1,400,000. With other income, this would give the company about $1,500,000 to meet $1,700,000 charges, or about 90% of the requirement.

Nashville, Chattanooga & St. Louis, a subsidiary of Louisville & Nashville, earned in the two months at the annual rate of about $1,060,000. With other income, this would give the company about $1,250,000 to meet $1,600,000 charges, or about 80% of the requirement. In 1919, under Federal rental, the company earned more than $11 a share on its stock.

Seaboard Air Line

Seaboard Air Line, which is generally regarded as the South's weakest transportation system, is making relatively by far the best showing. September gross showed an increase over the same month last year of more than 30%, while October gross showed an increase over October, 1919, of about 100%.

Although net in the two months was not equal to Federal rental, the results were at the annual rate of about $5,450,000, or nearly enough to cover the interest on the $25,000,000 5% adjustment bonds.

Southern Railway, which, on account of its size, reflects better than any other system traffic and transportation conditions in the South, has not obtained in either month the increase in gross that was to have been expected from the rate increases. In both September and October, the increase was less than 20%.

Net operating income in the two months was $2,572,372, of which October formed by far the better part. This result would be at the annual rate of about $12,500,000, or about 90% of charges. If September be eliminated and October taken alone, the latter month would be at the annual rate of about $16,000,000. This would cover charges but not the preferred dividend.

The Southern roads have not large investments in lands or terminals, the greater part of their capital being in property that contributes directly to revenue. They were built with cheap labor and their valuation will show a large excess over the corporate claims as shown by the books. In September —the detailed operating statements for October are not available—they were under-maintained rather than over-maintained as a whole. The great excess of operating expense over past years was in that item known as "transportation" of which wages and fuel form the bulk.

In view of the foregoing facts, it can only be concluded that a 25% increase in freight rates would be inadequate except in a year of very heavy traffic. As no further increase is likely to be granted for some time, the future of these properties depends on a diminution of operating expenses, and the big item in these—wages—is fixed by public authority. Atl. Coast Line, Louisville & Nashvillé, Seaboard, vol. 27, p. 174.

WORLD'S CROPS IN 1920

Results of the world's agriculture in crop production in 1920 are imperfectly known, but indications point to a larger cereal production than in 1919. For all countries for which preliminary information is at hand for the two years, the crops of wheat, oats, corn, barley, and rye amount to 8,740,000,000 bushels, or 6% above the crops of 1919. In countries normally producing two-thirds of the so-called world's crop of wheat, the apparent production in 1920 is 2,430,000,000 bushels, and this quantity is a gain of 2% upon the crop of 1919. Oats gain 11% upon 1919 in countries with two-fifths of the world's production; corn, 10% in countries with three-quarters of the world's production; barley loses 8% in 15 countries; rye gains 5% in 10 countries.

Two Months' Earnings Under New Rail Rates Disappointing

Carriers Had Net of $170,000,000, Compared with $222,000,000, Representing Two Months' Proportion of 6% on Investment

By **EDWARD GILMAN**

OCTOBER was a marked improvement over September for the railroads, although they fell short in both months of earning the monthly ratio of 6% on their aggregate investment, as contemplated by the new rates granted under the Transportation Act. In September the class 1 roads earned about $75,000,000 net, compared with $109,000,000, which they were expected to earn, or about 69%. In October, partly estimated, they earned $95,000,000, compared with $113,000,000, or about 84%. In the two months, net operating income was about $170,000,000, compared with expectations of $222,000,000, or 76.5%.

In considering the future, it should be remembered that the business depression did not begin to manifest itself in railroad traffic until early in November, with the result that October was the largest tonnage month in the history of the roads. Weekly reports of gross revenue for November have shown a greater decline from October than in normal years, and in some instances the traffic slump has been so marked that carriers have lost in gross revenue the full effect of the rate increase when comparisons are made with the corresponding weeks of 1919, which included the coal strike.

October earnings of part of the roads were analyzed in the preceding issue, and those of the remaining important carriers will be considered here.

On an increased gross in October over September, Pennsylvania Railroad had a slightly smaller net. Gross was $60,603,431 compared with $58,521,090 in the preceding month, while net was $3,978,621 compared with $4,066,610. Pittsburgh, Cincinnati, Chicago & St. Louis, which will be operated under lease, did much better in October than in September, both with respect to gross and net. In September Panhandle obtained little benefit from the rate increase, but in October gross was $11,636,306 compared with $8,930,380 in the same month last year. This resulted in a net operating income of $631,292 in October compared with a net operating deficit of $375,430 in September.

Considering these companies jointly, they earned in the two months at the annual rate of $40.500,000, compared with rental of $78,460,557. With joint items eliminated, the indicated results are at the rate of 50 cents a share on Pennsylvania stock. Disregarding the September statement of Panhandle would give better results, but on no basis of computation would the full $3 dividend be shown to have been earned.

SEPTEMBER AND OCTOBER RAILROAD EARNINGS

The appended table shows the annual rate earned by thirty principal railroads in September and October, either as applied to their charges or their preferred or common stocks as the case may have been. The two months are deemed to represent 20.5% of the traffic year, the ratio that obtains in normal years. Other income and charges are taken as reported for 1919, except in the case of Atchison, whose 1919 other income was unusual and will not be repeated. The Pennsylvania returns include those of Panhandle, as the latter will be leased by the parent company. It should be understood that the figures are necessarily approximate, and might be changed considerably either way as the result of one montth's operations. They show, however, that the roads as a whole fell far short of earning at the rate of 6% on their aggregate investments in the two months. With October partly estimated, the result of the two months would be about the annual rate of 4.61%. The table follows:

System	% of Charges Earned	$ Per Share on Pfd.	$ Per Share on Com.	Div. Rate on Com.
Atchison	..	....	7.00	$6
Atlantic Coast Line	100	....	....	7
Baltimore & Ohio	..	....	4.25	..
Chesapeake & Ohio	..	....	26.00	4
Chicago, Milwaukee & St. Paul	80	....	....	..
Chicago, Rock Island & Pacific	..	(a) 5.00	....	..
Delaware & Hudson	..	....	10.50	9
Great Northern	..	(b) 8.50	....	..
Illinois Central	..	....	12.00	7
Kansas City Southern	..	....	11.00	..
Lake Erie & Western	..	4.50	....	..
Louisville & Nashville	..	....	8.50	7
Minneapolis & St. Louis	..	....	1.35	..
Missouri Pacific	75	....	....	..
New York Central	..	....	6.00	5
New York, Chicago & St. Louis	..	(c) 5.00	....	..
New York, Ontario & Western	85	....	....	..
Norfolk & Western	..	....	7.40	7
Northern Pacific	..	....	6.30	7
Pennsylvania (inc. Panhandle)	..	....	(d) .50	3
Pere Marquette	..	....	5.75	..
St. Louis-San Francisco	..	....	7.00	..
Southern Pacific	..	....	11.00	6
Southern Railway	90	....	....	..
Texas & Pacific	..	....	2.50	..
Union Pacific	..	....	22.00	10
Wabash	..	(e) 4.00	....	..
Western Maryland	..	(f) 6.50	....	..
Western Pacific	..	....	3.25	..
Wheeling & Lake Erie	..	(g) 2.00	....	..

(a) On 7% pfd. (b) Has no common. (c) On second pfd. (d) $50 par value. (e) On pfd. "A." (f) On 1st pfd. (g) On prior lien stock, carrying 28% of accumulations.

NEW YORK, CHICAGO & ST. LOUIS, considering the results obtained during Federal control and the guaranty period, is making a surprisingly bad showing. The September net was trifling compared with the gross, and, while maintenance was liberal, the great loss was in transportation expense, which increased 100% over 1919. In October gross dropped nearly 20% from the preceding month and showed only a nominal gain over October, 1918. Net for the two months was at the annual rate of $2,480,000 compared with standard return of $2,218,857, or about $5 a share on the second preferred. In view of the fact that Nickel Plate in 1918 and 1919 earned substantial percentages on its common stock, considered on an operating basis, the results under the new rates are very disappointing.—vol. 27, p. 20.

LAKE ERIE & WESTERN made a better gross and net showing in September than in October. In the latter month gross gained only 14% over the same month last year, indicating a marked loss in tonnage. Net for the two months was at the annual rate of $1,430,000, compared with rental of $1,548,542, or at the rate of about $4.50 a share on the preferred stock.

Gross and net of New York, Ontario & Western in October were down from September, and in neither month did the company get anything like a full reflection of the rate increases. The company's rental was $2,103,589, while net for the two months was at the annual rate of only $1,060,000, which would be equal to about 85% of charges.—vol. 27, p. 20.

THE SOFT COAL ROADS

CHESAPEAKE & OHIO. In considering the soft coal roads, there is a special condition affecting the future that should be borne in mind. Bituminous coal usually moves freely in the summer and is stored against winter requirements when operating conditions are more difficult. This summer, partly as a result of coal shortage and partly as a result of car shortage, the normal movement was delayed. Thus, the movement of coal has been exceptionally heavy in recent weeks, while the traffic in other commodities has been declining. In fact, the heavy movement of coal was mainly responsible for making October the biggest traffic month in the history of the railroads.

While this should be remembered in considering the operating results of Chesapeake & Ohio, the large margin between earnings and dividends suggests the likelihood that the road could go through a severe depression and still show its 4% safely covered.

October gross of Chesapeake & Ohio was $10,075,590 compared with $6,771,577 in the same month of 1919, or an increase of about 50%. Out of this, the company

saved $2,572,000 for net operating income. Net in the two months was at the annual rate of about $24,000,000 compared with rental of $14,588,579, or approximately $26 a share on the capital stock before division of excess with the Government. —vol. 27, p. 21.

WESTERN MARYLAND is another coal carrier and its gross in both September and October showed big gains over the same months of 1919. Net for the two months was $835,578, or at the annual rate of $4,075,000, compared with standard return of $3,079,593. On the basis of charges and other income as reported for 1919, this result would be equal to $6.50 a share on the first preferred stock, which is entitled to 7%.—vol. 27, p. 21.

WHEELING AND LAKE ERIE reported a gross of approximately $2,000,000 in each of September and October, but $309,699 was saved for net in the first month and only $123,965 in the second. The two months were at the annual rate of $2,100,000, compared with rental of $1,723,315, or $8 a share on the prior lien stock, on which 28% has accumulated.—vol. 27, p. 91.

PERE MARQUETTE. In view of the fact that it operates in the so-called "motor" territory, Pere Marquette has done very well since September 1, and especially following its indifferent showing in the guaranty period. In both months, it obtained a substantial increase in gross, and, while net for each month was less than in the same two months of 1918 and 1919, the item was better than in the preceding months of 1920. Net for the two months was $1,156,724, or at the annual rate of about $5,600,000, compared with rental of $3,748,196, or a rate of about $5.75 on the common stock.—vol. 27, p. 21.

WABASH is another road that has been doing fairly well in view of the bad showing it made during Federal control. Gross in September was $6,328,898, an increase of nearly $2,000,000, and in October $6,282,611, an increase of more than $1,000,000. Net operating income for the two months was $1,180,029, or at the annual rate of about $5,750,000. This is the approximate amount of rental and is equal to about $4 a share on the preferred "A" stock.—vol. 27, p. 91.

The Southern roads are treated in detail elsewhere in this issue, and all the important ones are included, with the exception of the Illinois Central. Although the property is included officially in Southern classification territory, a large part of its business is in the Central Western region, besides which it carries a heavy tonnage of import freight, that would not be affected by general conditions in the South.

ILLINOIS CENTRAL'S gross showed a big increase over the preceding year in both September and October, the gain in the former month having been about 50% and in the latter about 40%. Out of the larger gross in October the company saved the smaller net. For the two months net operating income was $3,836,339, or at the annual rate of about $18,700,000, compared with rental of $17,896,467. This rate would be equal to about $12 a share on the stock.—vol. 27, p. 91.

Southern Pacific Stock and Rights

By RICHARD D. WYCKOFF

THE counsel given holders of Southern Pacific stock, in our issue of December 11, was based on the relationship of prices between the stock and the Pacific Oil rights existing at that time, and would be influenced, of course, by the change in this relationship which has since taken place.

At the time the report was made, Southern Pacific stock was selling around 105, Pacific Oil when issued around 36 and the rights to subscribe to the oil stock around 21. This would have made the stock, ex the rights, cost a holder about 84, which seemed a fair price in the state of the market at that time. In other words, it appeared that the oil stock, on which the rights are a "call," upon payment of $15 a share, held out greater hope for the future around 36 than the holding company stock, divested of the oil equities, around 84.

Since that time Southern Pacific stock has declined below 95, afterward recovering to 99, and the rights have advanced above 23, afterward dropping a fraction. Thus the relationship has greatly changed, and at one time the railroad stock could have been bought at a price which, ex the rights, as they were then selling, would have made Southern Pacific, minus the oil equities, cost the holder only 72⅛. When it is considered that the company is receiving $12.50 a share in new money on which no charges will run, this is too low for the stock, ex-rights, in any kind of a market.

It should be understood, therefore, that the original advice, while good for the price relationship existing at that time, does not hold at present with Southern Pacific stock selling below par and the rights between 22 and 23. If the stock recovers again to a level around 103-5, holders should act upon the first advices, provided the rights have not in the meantime advanced proportionately.

CENTRAL WESTERN REGION

MISSOURI PACIFIC made a much better return in October than in the preceding month. Gross was up from $10,806,048 to $11,715,986, and net from $458,750 to $1,322,681. Net in the two months was at the annual rate of $8,700,000 compared with rental of $14,206,814. Adjusted for fluctuations of traffic, the two months were at the rate of 75% of charges.—vol. 27, p. 21.

CHICAGO GREAT WESTERN also made some improvement in October, net having been $158,110, compared with $25,346 in the preceding month. The two months were at the annual rate of $900,000, or, with other income added, about 70% of charges.—vol. 27, p. 113.

MINNEAPOLIS & ST. LOUIS didn't do so well in October as in the preceding month but it is still covering its charges. Out of a gross of about $1,800,000 in each month, $305,260 was saved for net in September and $203,112 in October. The two months were at the annual rate of about $2,500,000, compared with rental of $2,706,994. The rate would be equal to about $1.35 a share on the stock.—vol. 27, p. 22.

CHICAGO, ROCK ISLAND & PACIFIC made a better gross and net showing in October than in September. For the two months, net was $2,802,110, or at the annual rate of about $13,650,000, compared with standard return of $15,800,255, equal to about $5 a share on the 7% stock, which is preferred over the 6% stock to the extent of 5%.

There are three roads in receivership that are making better progress than some of the solvent companies, viz.: Chicago & Eastern Illinois, Clover Leaf and Katy.

In September and October, the former earned at the annual rate of $5,250,000 compared with standard return of $2,946,000, a sum that the company is contesting as fair rental before the Court of Claims. —vol. 27, p. 395.

TOLEDO, ST. LOUIS & WESTERN earned at the annual rate of $1,800,000 in the first two months under the new rates, compared with standard return of $994,294, or nearly 200% of the sum received from the Government for the use of the property during Federal control.—vol. 27, p. 21.

IN THE SOUTHWEST

MISSOURI, KANSAS & TEXAS reported a net operating income of $1,015,175 in September and $1,307,917 in October, or a total of $2,323,092. This would be at the annual rate of $11,350,000, compared with standard return of $6,475,604. So much defaulted interest has accumulated, that there is no point in computing this rate of earnings as applied to the stocks.—vol. 27, p. 113.

KANSAS CITY SOUTHERN, out of a gross of about $2,400,000 in each month, saved $669,852 for net in September and $599,647 in October, or $1,269,499 for the two months. This is at the annual rate of $6,200,000 compared with $5,535,427 rental, and is equal to about $11 a share on the common stock.

ST. LOUIS-SAN FRANCISCO showed practically no change in gross in October as compared with September, but net dropped from $2,013,179 to $1,616,168, or $3,654,887 for the two months. This would be at the annual rate of about $18,000,000 compared with rental of $13,415,519, or the equivalent of about $7 a share on the common stock.—vol. 27, p. 178.

ST. LOUIS SOUTHWESTERN is still reporting record earnings. Out of $2,960,434

gross in September, the company saved $607,740 net operating income, and out of $3,029,406 gross in October, $628,168 net. The two months were at the annual rate of about $6,000,000, equal to about $18 a share on the common stock. If this seems unusual, it should be pointed out that this company earned more than $17 a share on its common in 1917.—vol. 27, p. 178.

TEXAS & PACIFIC made a great improvement over September in both gross and net. In October net was $579,889, compared with $310,654 in the preceding month, or $890,543 for the two months. This is an annual rate of $4,350,000, or slightly more than rental, and equal to about $2.50 a share on the stock, after allowing for interest on the income bonds now unpaid.—vol. 27, p. 113.

ATCHISON was another road to make a large net improvement on a small gross gain. Out of $22,066,335 gross in September, the company saved $2,864,901 for net and out of $24,495,074 gross in October, $4,181,107 for net. The results of the two months were at the annual rate of about $34,000,000, compared with rental of $44,615,087. Other income was exceptional in 1919, but on the basis of this item in 1918 the annual rate would be equal to about $7 a share on the common stock.—vol. 27, p. 90.

WESTERN PACIFIC showed little change in either gross or net. The latter item was $425,701 in October, compared with $402,215 in September, or $827,916 for the two months. This would be at the annual rate of about $4,000,000, compared with standard return of $1,900,350, a sum the company is contesting as adequate rental before the Board of Referees. The result of the two months projected to an annual basis would be equal to about $3.25 a share on the common stock, on the present capitalization and without taking account of other income to be received from Denver & Rio Grande under the readjustment plan.—vol. 27, p. 88.

Lehigh Valley Railroad Co.
Coxe Bros. & Co.

Lehigh Valley Coal Co.

Lehigh Valley's Prospects Minus Its Coal Resources

Road's Ability to Continue 7% Dividends Brought into Question by Segregation Order—Coal Holdings Have Large Independent Possibilities

By DANIEL CUSHING

IT is the general belief of traders and investors that two stocks are worth more under a segregation plan than a single stock representing two properties operated under joint control. This belief occasioned the recent rise in Lehigh Valley Railroad stock when the United States Supreme Court announced its decree ordering the company to dispose of its Lehigh Valley Coal Company stock. But no general principle is applicable in such cases and each case must be studied alone. The chief question to answer in all cases is whether the stockholders are likely to receive anything they had not been previously receiving.

In the case of Southern Pacific, it is clear from past earnings of the transportation department that the railroad, divested of its oil properties, can continue to pay 6%, while Pacific Oil Company, the new petroleum subsidiary, can pay something. This justifies higher prices for the new securities than formerly were paid for the old. Does the same situation exist with respect to Lehigh Valley?

Considering first the legal phases, Lehigh Valley Railroad formerly controlled all the operations of anthracite mining and marketing through its subsidiary, the Lehigh Valley Coal Company. Later, the Lehigh Valley Coal Sales Company was organized to buy the coal at the mines and market it. This action was taken in obedience to the commodities clause of the old railroad act, which prevented a carrier from transporting a commodity and operating in it commercially at the same time.

The first contract between the railroad and the Lehigh Valley Coal Sales Company prevented the latter from buying independent coal. This proved objectionable to the Department of Justice and the contract was amended to permit the subsidiary to buy independent coal following similar action on the part of Lackawanna. Although it is difficult to see how the Lehigh Valley Railroad is a monopoly under the Sherman Act, or violating the commodities clause, the recent decision follows the opinion of the Supreme Court in the case of Reading Company and Central Railroad of New Jersey, both of which are required completely to divorce their coal subsidiaries.

Financial Relationships

In 1905, the Lehigh Valley Coal Company issued to the Lehigh Valley Railroad, which held the entire $1,965,000 capital stock, $10,537,000 certificates of indebtedness for money advanced for capital requirements. Up to, and for

**LEHIGH VALLEY COAL CO.
EARNINGS FOR TEN YEARS**

1910	$1,377,036
1911	1,753,337
1912	1,402,734
1913	1,771,275
1914	864,859
1915	1,322,815
1916	1,394,922
1917	2,597,776
1918	2,039,649
1919	802,474
Total	$15,316,878
Average	$1,531,688

several years after that time, the coal subsidiary was in course of development. These certificates were cancelled March 1, 1912, Lehigh Valley Coal paying $3,037,000 in cash and issuing $7,500,000 4% debentures in lieu of the balance. On March 1, 1917, the coal company issued its capital stock in like amount for the debentures, so that the railroad now holds $9,465,000 stock—the entire issue—of its coal subsidiary.

The Lehigh Valley Coal Company has reported its net income for a number of years and this sum, plus interest received by Lehigh Valley Railroad on advances or debentures, should be used in forecasting future net income, as the coal subsidiary now has no debt. The income plus interest for ten years is shown in the table, the average for the period being $1,531,688. It will be noted that the company had two exceptionally good years and two off years in the period. Otherwise, earnings have been fairly constant.

From other evidence, it is very doubtful whether these earnings fully represent the possibilities of the coal property. This consists of 800,000,000 to 1,000,000,000 tons of anthracite in the Lehigh field, where the bodies are favorably situated for economical mining.

It has been estimated by experts that Lehigh has an advantage over Philadelphia & Reading Coal & Iron Company in the matter of mining costs, while having somewhat higher costs than Lackawanna or Lehigh & Wilkes-Barre Coal Company, controlled by Jersey Central. The amount of this saving would vary with general conditions, being greater in periods of high wages, but its ratio to the market price of coal would be fairly constant.

While no exact production figures are available, the output from Lehigh's mines has been increasing in recent years. Anthracite shipments over Lehigh Valley Railroad in 1919 of coal originating on its own lines amounted to 12,500,000 tons, compared with 13,500,000 tons for Reading, and these figures give a fairly good indication of relative production.

With its large output and relatively low costs, there is reason for believing that Lehigh Valley Coal Company, operated as a commercial enterprise, could show earnings considerably larger than those reported. Extensive development plans have been carried out in the last few years, and it is probable that a large part of earnings have gone into these.

Transportation Earnings

During the past three years, transportation earnings of Lehigh Valley have shown little change, the Federal rental of 1918 and 1919 having been approximately the same as operating results in 1917. Net income as applied to stock, however, has shown considerable shrinkage, due in part to growing charges and, in 1919, to smaller coal income.

Lehigh Valley put out $15,000,000 6% notes dated August 31, 1918. This did not represent a net addition to debt, but the extent of the growing charges is shown by the following statement for the last three years: 1917, $6,889,854; 1918, $7,754,823; 1919, $8,187,221.

Including dividend paid on $2,910,150 Coxe Bros. & Company stock held by Lehigh Valley Railroad, total income from coal in the last three years has been: 1917, $3,311,801; 1918, $2,322,619; 1919, $1,065,553.

In 1918 this revenue was at the rate of $1.92 a share on the common stock, which has a par value of $50, and 88 cents in 1919. Earnings from all sources in 1918 were at the rate of $5.44 a share, and in 1919 at the rate of $4.10. Deduction of the coal revenue would have reduced this income to $3.52 a share in 1918 and $3.22 a share in 1919. It would be running too close to the margin to continue to pay the $3.50 dividend under such earnings.

In other words, it is not likely that Lehigh Valley could continue to pay 7% without its income from coal, and this answers the question with which I started.

It is probable that the court will require holders of the railroad stock to sell the coal rights, and which is the better of the two investments forms another question. This could hardly be answered until the price relationship was known.

Assuming, however, that the price relationship was reasonable, I am inclined to think that the mines of Lehigh Valley hold out greater hope of growth and financial development than the company's transportation system. The railroad has done about all that could be expected of it, while the mines have been operated primarily to provide traffic and only secondarily as a commercial enterprise.—vol. 27, p. 91.

WHERE PASSENGER CARS ARE MADE

Of the 157 varieties of passenger cars manufactured in the United States, 35 come from the state of Michigan. Indiana is next in line with 23 passenger car factories. Ohio has 22, New York has 15, with Illinois and Pennsylvania tied at 10. These figures, supplied by the Lafayette Motors Company of Indianapolis, dispel the popular notion that the bulk of the automotive industry is located in the Detroit region. Although Michigan holds a big lead over her sister commonwealths, there are 122 concerns in other states making passenger automobiles.—*Vehicle Monthly.*

HIGH RAILROAD RATES MAY CHECK CENTRALIZATION OF INDUSTRY

(*Continued from page 225*)

adjustment or a change in the commodity and wage trend.

The two main elements in transportation are its efficiency and its cost. As the former will continue unimpaired, there is no reason, of course, to expect that a bootmaker will be able to set up at every cross-roads and gradually oust the shoe factories from business, or that there will be anything like a return to community manufacturing such as formerly existed. Cost, however, is a factor that cannot be ignored, and its increase will certainly work to the advantage of a small factory shipping comparatively short distances as compared with a large factory shipping long distances.

Iron ore was excepted from the rate increases, largely due to the fact that the carriers of this product are owned by the Steel Corporation and would show a large return on their respective investments at even lower rates than prevail. It cannot be expected, therefore, that this company will be induced to seek more accessible supplies than are now used, but less favored industries will very likely be moved to seek supplies of raw materials in closer proximity to the points of manufacture.

This raises the question, of which little has been heard for several years, concerning competition between rail and water rates. Ever since the early months of the European War, ocean rates have been so high that the routes offered no competition to rail routes. As the war progressed, partly from loss of shipping and partly from high marine wages, the spread between the two classes of rates became greater, but the existing depression in the ocean shipping industry and the increasing number of idle vessels indicate that the time is not far distant when those who deal in rail transportation will have to resume this problem, which was temporarily solved for them by the war.

Ocean Competition

The industrial effect of a renewal of competition from ocean carriers will be generally unfavorable. Take as an illustration a large manufacturing plant at tidewater, heretofore dependent on the interior for a raw material of great bulk and low value. With the present high level of rail rates and gradually declining water rates, a situation would be reached sooner or later where it would be more economical to import foreign supplies than to continue use of domestic.

While the effect on agriculture is not likely to be so marked as on the supplies and output of mills, the products of the farms will not be uninfluenced. It has long been recognized that cheap transportation was the most potent factor in reducing the farms of New England, and in lesser measure those of parts of New York and Pennsylvania, to neglect. While the present freight rates are not likely to restore these regions to their former agricultural importance, they will certainly exert an influence in determining the distances that farm products may be economically transported by rail.

Some products, such as oranges and lemons, can be raised only in restricted areas. If these fruits are still consumed, as they certainly will be, they must be shipped as heretofore over long distances from Florida and California to the great consuming centers, but melons can be raised in many places, and those in very distant parts, such as Imperial Valley, may be placed at a disadvantage as compared with regions in the South nearer to the great cities.

As population moves with industry, manufacturing in particular but agricultural in lesser degree, it follows that the decentralization of one will produce a similar effect upon the other. More smaller factories in more communities mean more towns and cities of moderate population. If such a transition, however slight, occurs, the sociological effects will be beneficial.

For a time the movement will be given cumulative effect by the decline in commodity prices and wages. A given freight rate measured against $3 wheat is of less importance than when measured against $1 wheat. It is obviously easier for a producer or consumer of 43-cent cotton to pay a given railroad tariff than when the cotton is selling at 15 cents.

Railroad service, in this respect, is no different from any other service or from any commodity. A high price tends to diminish use, and the tendency towards decentralization of industry and population that may be expected to follow will be only the result of a general effort to employ as little of the service as possible.

CANADA SECOND IN WATER POWER

In view of the world's diminishing coal resources, "white coal," or developed water power, is more than ever commanding attention in various countries. Canada is now said to possess the greatest per capita water power development of any country in the world excepting Norway. According to *The Dominion of Canada,* a study by the Bankers Trust Co., of New York, Canada, with 19,500,000 "white coal" horsepower available, has a per capita development of 0.26 horsepower compared with 0.54 horsepower for Norway and 0.07 horsepower for the United States.

In general, Canadian water powers are applied to three uses: (a) municipal purposes, (b) for manufacture of pulp and paper and (c) for electro-chemical and similar processes. Of the developed water power about 78% is used for municipal purposes, about 14% for the pulp and paper business and about 8% for electro-chemical or similar processes.

TERMS USED IN EXPORT TRADE

A booklet entitled "Selling Your Products to the World" has been published by The Union National Bank of Seattle. The booklet contains the definitions of the important abbreviations used in foreign trade transactions, and demand for it has already made necessary the issue of a second edition.

Industrials

Bonds and Stocks

Selected Bargains in Preferred Stocks

The Very High Yields Now Obtainable Cannot Be Long Available, as the Best Preferred Stocks Are Better Than Many Bonds

By **WILLIAM T. CONNORS**

TO many investors, especially the less experienced, the word bond has a special appeal. They have a feeling, which as a rule they hardly stop to analyze, that bonds are better than stocks. But as this publication has many times emphasized, that statement, although true of bonds on the average as compared with stocks on the average, is not necessarily true of any particular bond and stock comparison.

Some of the preferred stocks given in the table which accompanies this article are better than the majority of bonds. A preferred stock *may* have all the advantages afforded by any bond, together with certain special advantages of its own.

Suppose, for example, that a company has no bonds or mortgages on any of its property. Its preferred stock is then the first lien on everything the company owns. As the expression goes, it sits right on the property. A bond could do no more.

This condition obtains in regard to a number of preferred stocks. In other cases, there may be a real estate mortgage ahead of the preferred, not large enough to interfere seriously with the asset values applicable to the stock. Or there may be a considerable bond issue, but the company may have properties of such value that there is still a big protection in the way of assets for the preferred. And a preferred stock so placed may be, and frequently is, much better than some "general mortgage" bonds, or "first mortgage and collateral" bonds which have a piece of first mortgage so small that it takes a microscope to find it, or other bonds which may have long and high-sounding names apparently for the purpose of diverting attention from the painful remoteness of their actual claims on the property of their respective companies.

No Maturity Date

On the other hand, preferred stocks as a class have certain advantages over bonds as a class.

One is that they have no dates of maturity. This is an advantage because they can be owned forever, if desired, and if the company lasts that long, while bonds have an inconvenient habit of maturing and being paid off at times when the investor cannot place his money in new securities without paying a relatively higher price than he had paid for his first bond—that is, he is forced to accept a lower interest yield on his money.

Moreover, if a preferred stock is bought when prices are low, as at present, it will advance farther with returning ease in the money market than a bond, having a maturity date, which was bought to give the same interest return as the stock.

For example, suppose the money market changes from a 7% basis to a 5% basis in two years. A 6% bond maturing in ten years would have to sell at about 93 to yield 7%, and to yield 5% two years later it would have to sell at 106½. The buyer at 93 would then have a profit of 13½ points in addition to the 6% yearly interest which he had received.

But a 6% preferred stock would have to sell at 86 to give a yield of 7%, and at 120 (two years later or at any other time) to yield 5%; so the buyer at 86—on a 7% basis—would have a profit of 34 points in addition to his regular 6% dividends, instead of a profit of only 12½ points on the ten year bond.

The difference in profits would be smaller in the case of a bond having a more distant maturity date, but there would always be a difference.

It should be noted, however, that the advantage possessed by the preferred stock of responding to a change in the money market by a wider change in price, may be limited by a provision that the preferred stock may be called in at a fixed price. For example, in the case above mentioned of a 6% preferred stock selling at 120 in a 5% money market, if the stock was callable at the discretion of the directors at a price of 105 it would very likely be called in, so that the owner would not be able to realize his full profit from the change in money.

The non-callable preferred stock, then, has a decided advantage over the callable preferred stock, and that is one of the points to be considered by investors who intend to hold preferred stocks for a long time.

Another advantage of the preferred stock is that its dividends are not subject to the normal income tax, while the interest on the bond is subject to that tax. A tax of 4% on 6% dividends amounts to slightly less than ¼ of 1% on the money invested, reducing the yield to 5¾%; but it is worth saving. You notice the difference when you come to figure out your income tax at the end of the year.

Passing Dividends

The fact that the dividend on a preferred stock may be omitted at any time the directors of the company see fit, while the interest on a bond (except for those pseudo-bonds called "income" or "adjustment" bonds which don't have to pay interest unless earned) cannot be passed without throwing the company into receivership, is usually reckoned as an advantage on the side of the bond.

HIGHEST GRADE PREFERRED STOCKS.

	Div. Rate	Last Annual Earnings	Callable at	Late Price	Income Yield
International Harvester	7% cum.	*35%	...	101	6.9%
U. S. Steel Corp	7% cum.	21	...	105½	6.6
American Car & Foundry	7% N. C.	35	...	111	6.3
American Tobacco	6% cum.	30	...	88	6.8
Westinghouse Electric & Mfg	$4 cum.	20	...	$61	6.6
Sears, Roebuck & Co.	7% cum.	251	125	102	6.9
Continental Can	7% cum.	58	125	98	7.1
Standard Oil of N. J	7% cum.	39	115	102½	6.8
GOOD PREFERRED STOCKS.					
Virginia-Carolina Chemical	8% cum.	35%	...	95	8.4
American Smelting & Refining	7% cum.	12	...	83	8.4
U. S. Rubber 1st	8% N. C.	28	...	100	8.0
General Motors deb	6% cum.	‡74	115	61	9.9
General Motors deb	7% cum.	‡74	120	71	9.9
Western Pacific	6% N. C.	†11	105	69	8.7
International Motor Truck 1st	7% cum.	§38	110	70	10.0
American Steel Foundries	7% cum.	46	110	88	8.4
Bethlehem Steel	8% cum.	51	115	100	8.0
American Woolen	7% cum.	29	...	93	7.5
PREFERRED STOCKS—SPECULATIVE.					
Worthington Pump B	6% cum.	28%	105	58	10.3
Allis-Chalmers	7% cum.	22	110	71	9.9
Advance-Rumely	6% cum.	19	105	49½	12.1
California Petroleum	7% cum.	8	120	68	10.3
Pierce Oil	8% cum.	18	115	78½	10.2
Standard Gas & Electric	$4 cum.	16	...	$32	12.5
Associated Dry Goods 1st	6% cum.	24	...	51	11.8
Columbia Graphophone	7% cum.	34	110	63	11.1

*On old pref. †Estimated 1920. ‡Adjusted. §Est. from 9 mos. of 1920.

This, however, is open to argument. If a company is in such bad shape that it can't pay interest, neither the bond nor the preferred stock is likely to be worth much. A receivership is usually a long drawn out and tiresome proceeding. If the company can weather the storm by passing its preferred dividends, it may come out better in the end than if it had bonds instead of the preferred, and had therefore been compelled to go through the courts.

If the same company has both bonds and preferred stock, the bonds will of course be the better because they have first claim. But as between two companies, otherwise the same, but one having $10,000,000 bonds and the other $10,000,000 of preferred stock without any bonds, it is doubtful whether the owner of the bonds of the first is any better off than the holder of the preferred stock of the second.

Cumulative preferred stocks—on which dividends, if passed, must be made up in later years—are naturally to be chosen rather than non-cumulative stocks of the same merit from other standpoints. However, in the table herewith only three non-cumulative stocks are included, and on these the prospects of dividends being passed are so comparatively remote that this factor has but little weight.

Selection of Stocks

In each of the three groups shown in the table, I have selected some of the issues which seem to me most desirable and have arranged them in the order of my preference, taking all factors into consideration including current prices and yields.

No two persons, doubtless, would arrange these stocks in the same order, and the same person would arrange the stocks differently according to the requirements of different investors.

The buyer, for example, who would sell his Western Pacific preferred at par and look around for a higher yield investment, would not be influenced at all by the fact that this stock is callable at 105; but the investor who wants to lay his stock away in his strong box with the consciousness that it is—barring great and unexpected changes in conditions—good for the indefinite future, would not want to feel that his stock might be called away from him just when money was so easy that he could not reinvest to advantage.

It must be understood, therefore, that there is no "best" stock for everybody. The best stock for you may not be the best for the other follow.

Since one of the great advantages of preferred stocks at this time lies in the fact that possible price advances are not limited by any maturity date, so that they can respond fully to the change in the money market which must inevitably come as investment capital accumulates, I have given considerable weight to the callable feature in arranging the stocks selected.

In the first group—Highest Grade Preferred Stocks—dividends are so nearly assured on all the issues mentioned that the principal factors in choice among them are the matter of yield and the callable figure. I have placed five strong non-callable issues in the lead. There is little choice among these five stocks. All look good at their respective prices, for the conservative investor who will be most naturally attracted to them.

The next two, Sears Roebuck and Continental Can, represent growing, well-conducted enterprises, and are protected by very large earnings. They are callable, but only at the very high figure of 125.

It will be a shock to the admirers of Standard Oil to see the preferred stock of the New Jersey company put at the bottom of this group. It has gravitated to that lowly station in my arrangement because it is callable at 115, which would mean a yield basis of 6.1%. A security of such great strength ought to be selling at 115 at a relatively early date, so that the owner would stand a chance of losing it by having it called away from him.

In the second group—Good Preferred Stocks—better yields are obtainable, ranging from 7½% to 10%, and in my opinion the slight increase in risk involved in an investment distributed over all ten of these stocks, is not sufficient to counterbalance the advantage of the higher yield as compared with the first group. In other words, from the viewpoint of a business man I would buy the second group.

The three non-callable stocks at the head of this second group are certainly entitled to an excellent rating in spite of their high yields. The three industries in which they are engaged are suffering from a depression but I don't believe this endangers their dividends. U. S. Rubber first preferred is placed third because the dividends are non-cumulative.

The General Motors debenture stocks, with their high yields, seem to me to be great bargains; and the same is true of International Motor Truck first preferred, although that company does not have the commanding position in the industry now held by General Motors. The callable price for General Motors debenture 6% represents a yield of 5.2%, while that for the 7% represents a 5.8% yield. This is a curious inconsistency, in view of the fact that the two stocks are practically the same except for the difference in dividend rates. It would be interesting to know what reason the company had for making this difference. It makes the 6% stock the better.

Western Pacific's earnings of 11%, as given in the table, do not adequately represent its earning ability under private ownership. It should earn more in 1921. It has cash on hand to pay these dividends for five years without earning a dollar, if the directors wanted to use it for that purpose.

American Woolen preferred, though good, seems to be selling relatively higher than some of the others.

The Speculative Group

In the third group some very high yields are to be had, at the cost of a degree of risk which, although appreciable, does not seem to be dangerous. All of these companies appear to have excellent prospects, but their position is not so "seasoned" as that of most of the stocks in the first two groups.

The factor of the callable price is not so important here because the stocks are selling so much lower that they have a long way to go before hitting the redemption figure.

The first three companies in this group look to me like sound, growing enterprises with good prospects. The next three—California Petroleum, Pierce Oil, and Standard Gas & Electric—are wholly or partly dependent on oil for their income, and of course oil wells have a way of running dry in time. Therefore these stocks should be looked upon as more temporary investments than the others. The holder would plan to switch into something else after a few years, when prices would presumably be higher than they are now.

As to Associated Dry Goods first preferred and Columbia Graphophone preferred, I will merely say that it seems to me they are selling low for their value. Before buying any of the speculative group the investor should of course make a thorough examination of their investment status, which it is not possible for me to present within the limits of this article.

U. S. GOODS SELL HIGH ABROAD

The high prices charged in Holland, and some other European countries, for American automobiles and other commodities are, in the opinion of American authorities in Rotterdam, exerting a very bad effect on the foreign exports of the United States. It is understood that Consul General Anderson has made the matter the subject of an official report to the State Department.

Automobiles selling at retail in the United States for perhaps $5,000, are shipped to Holland at a freight cost hardly ever exceeding $200 and then are sold there for the equivalent of about $7,000, even when the low value of the Dutch exchange is considered. The import duty is only 5%. This exacting of profits, officials say, is certain to work against sales of American automobiles in the future.

The same holds true with American canned goods, tobacco, etc. A tin of American canned corn, retailed for about 20 cents in the United States, is sold in Holland at the guilder equivalent of 50 cents.

Various food products from the United States now appear in great quantities on the shelves of merchants at The Hague, Amsterdam and Rotterdam, but the prices are almost always so high that only the very wealthy can buy them.—*Journal of Commerce.*

U. S. MAKES 80% OF THE TYPEWRITERS

The world's typewriter output for 1920 is expected to be about 850,000 machines. This will be considerably the largest number made and sold in any one year. The United States will have produced approximately 80%, and Royal, Underwood and Remington, the three leading companies, about two-thirds of the world's total, and five-sixths of the United States output; in round numbers for the three companies, 500,000 machines.—*Boston Commercial.*

U. S. Realty's Holdings Appear Heavily Undervalued

Fair Appraisal of Properties Indicates Them Carried at $8,000,000 Below Their Worth—Net Asset Value of Shares $118; Market Price $39

By **A. T. MILLER**

SEVERAL years ago when New York City real estate was in the doldrums, U. S. Realty would probably have been glad to get rid of its buildings even below cost. Barely 4% was earned on the investment, and the company kept going on a deficiency basis in the hope that eventually it would get back part of its real estate money and devote itself to the more lucrative construction business, as carried on by the Fuller Construction Co.

Since that time, however, there have been developments in the real estate business considerably enhancing the value of U. S. Realty's properties. It is now quite certain that, for a few years at least, the company will derive a good income from this source where previously it had only been able to meet its mortgage and debenture interest.

Owns Some Fine Buildings

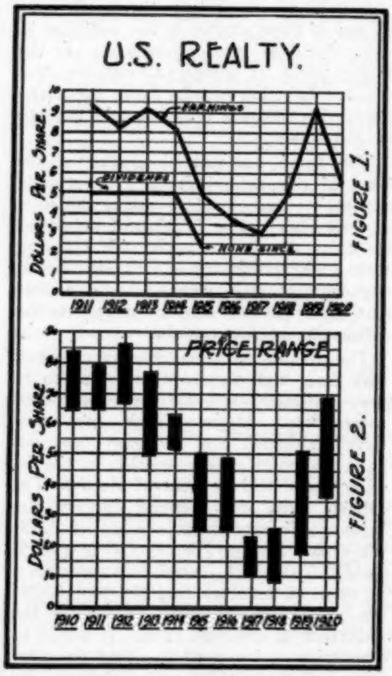
Most of the company's real estate holdings are very choice. They include the U. S. Realty and Trinity buildings on lower Broadway, which are two of the finest specimens of the genus "skyscraper" in the financial district. It also owns the Whitehall building at the Battery and the O'Neill, Fuller and Mercantile buildings, which are further uptown. Through stock ownership, the company controls the Plaza hotel, one of the largest in America, and the immense New York Hippodrome, almost a national playhouse. Many small residential buildings are also owned and quite a number of city lots.

Owing to the fact that the company made a number of long-term leases at low figures, at the same time that operating expenses mounted very considerably, the real estate end of the business made a poor showing in recent years. Most of these leases have since run out, however, and last May they were being renewed at fairly stiff rates. Where the company used to get $2.50 to $3 a square foot, it is now getting $5. About one-third of the rentals are renewed each year so that earnings from this source are expected to increase next year and the following year. Several of the company's properties which were formerly unproductive now bring in good revenue. Thus the O'Neill building at Sixth avenue and Twenty-first street, which was formerly run at a loss, was recently leased for 21 years at an annual rental rate of $2,000,000. This is expected to bring in about $50,000 net annually.

Earnings Improve

The company has three sources of revenue. One is from the real estate end of the business. The second is from the Fuller Construction Co., which is completely owned and controlled by U. S. Realty, and the third is from the company's investments, such as the stocks and bonds of the Plaza hotel and the Hippodrome. Of these sources, the second is by far the most lucrative, although earnings from the other two sources show a tendency to improve.

The combined earnings from these various sources in the year ended April 30, 1920, amounted to $5.55 a share on the $16,162,800 capital stock. This



did not compare favorably with earnings for the previous year, which showed $9.16 a share, but is considerably better than the showing made in the period 1914-1917 (see graph I). A proper comparison of earnings for the year ended April 30, 1920, with those of the previous year cannot be made on the basis of the above figures, however, as last year's earnings did not include an item of $508,557 for payments made of building and shipbuilding contracts pending completion of shipbuilding for the Government. This will be included in this year's account. Viewed broadly, therefore, earnings in the past two years have shown a distinct tendency toward improvement, something which should be accentuated when the full effect of the increased rentals is felt.

With rentals up, construction business going ahead satisfactorily, and some fair results from its investments, U. S. Realty apparently faces a period of increasing earnings. This will, no doubt, be helped along by the now declining costs of operation.

Sound Financial Condition

The recent boom in real estate has permitted the company to dispose of some of its unprofitable holdings. Through liquidation of these properties and some investments, the company last year received enough to pay off in full all bank loans to the extent of $1,800,000. Mortgages on its real estate have been placed in a sounder position by extending loans on the Trinity and U. S. Realty buildings for 20 years and by the extension of loans on some of its other properties. Working capital at the end of the last fiscal year as shown in Table I amounted to $1,069,621 as compared with $93,157 for the previous year. Cash position of the company is better than for any year since 1914.

That Subway Contract

Owing to losses incurred through an unfortunate contract for the construction of three subway sections, the company was compelled to write off about $2,900,000 in 1917. It is possible that the company may be able to recover part of this amount from the city government, in which case it would be "velvet" for the stockholders. In the same year, the company marked down the valuation of its real estate properties to the extent of $9,430,221. Since then, according to expert appraisal, the market value of these properties has increased by over $8,000,000, so that property value which is carried on the books at $33,320,272, is probably $8,000,000 under a fair appraisal. In the meantime this deficiency account has been reduced to $5,802,247 by applying earnings and liquidating adjustments.

Disregarding the recent enhancement in the company's properties and making all proper deductions for mortgages, current liabilities, etc., the valuation behind U. S. Realty can be conservatively placed at $30,728,183. (See Table II.) There are $11,930,000 5% debentures outstanding, which would leave $18,798,183 for the $16,162,800 capital stock. This amounts to $118 a share and at the current market price of about 39, the stock is grossly undervalued.

It must be taken into consideration, too, that the U. S. Realty official valuation of $30,728,183 is below the actual value and the net asset value of the **shares, therefore, must be far greater**

than $118, thus further emphasizing the discrepancy between the present market price and the actual value of the shares.

That this book value is a practical consideration can be seen from the fact that the company has had several tempting offers for some of its important real estate holdings, and should these be sold on the basis of the present high valuation, shareholders would benefit accordingly.

Fuller Construction Company

During the past few years, the Fuller Construction Co. has provided the bulk of the parent company's earnings. This

TABLE I.—U. S. REALTY & IMPROVEMENT CO.

	Current Assets	Current Liabilities	Net Working Capital
1914	$3,241,444	$2,130,060	$1,111,384
1915	2,765,229	2,170,244	594,985
1916	3,881,349	3,258,810	622,539
1917	1,845,594	3,185,353	1,339,759*
1918	3,653,191	3,891,862	238,671*
1919	3,498,679	3,405,522	93,157
1920	3,623,070	2,553,449	1,069,621

*Deficit.

concern has developed in impressive fashion and is considered one of the world's leading construction companies. It has built such imposing structures as the Pennsylvania and Commodore hotels. A glance at Table III will show the extent to which this business has increased, with total contracts about double those of a few years ago.

Unfinished business on hand amounts to about $32,000,000, exclusive of about $10,000,000 contracts on the books of its Japanese subsidiary. Fuller Construction figures on a 10% profit, and on this basis it should bring in a very satisfactory return to the holding company.

It is reasonable to assume that this company faces a prosperous future. The drop in building materials heralds a building boom, and with the country several million houses behind, the company should be fully occupied for the next few years.

Fuller Construction's subsidiary, the Carolina Shipbuilding Co., has done some very profitable business. It has built 12 vessels for the Government with contracts aggregating $20,514,000. The company, some time ago, contracted with the Eagle Oil & Transport Co., Ltd., for the building of two tankers costing $1,800,000 each and it is understood that contracts for two additional ships were recently made. This end of the business is also very profitable, the company making about 10% net on its ship contracts. The company acquired a large shipbuilding plant at Wilmington, Del., from the Government at favorable terms, and intends to stay in this field.

Fuller Construction has some important contracts on hand. Among the contracts taken within the past year are additions to the U. S. Industrial plants at Baltimore, the Freer Library at Chicago, the Metropolitan Insurance Co. at New York and the Greenbrier Hotel at White Sulphur Springs, Va. The Japanese subsidiary has started operations on two large building contracts, one for the Japan Oil Co., the other for the Japan Mail Steamship Co. It is expected that Japanese construction activities will increase and become a permanent feature in the company's building operations.

U. S. Realty's Investments

As of April 30, 1920, U. S. Realty carries its investments on the books at the cost price of $9,089,475. This is represented principally by holdings in the Plaza Hotel and the New York Hippodrome. The Plaza Hotel is controlled through stock ownership in the Plaza Operating Co., which in turn owns the hotel. The outstanding capital stock of the Plaza Operating Co. consists of 25,000 shares of 6% cumulative preferred ($100 par value) and 34,294 shares of common stock ($100 par value). Of these amounts, U. S. Realty owns 16,684 shares of preferred stock and 16,482 shares of common stock. The preferred stock has paid dividends regularly since 1910. Since 1911 dividends on the common stock have been paid

TABLE II.—U. S. REALTY—REAL ESTATE ACCOUNT.

Real Estate (Cost)	$33,320,272
Less: Mortgage thereon	13,348,000
Equity	$19,972,272
Investments in Other Real Estate, Bonds and Stocks (Cost)	9,089,475
Mortgages Receivable	596,815
Net Working Capital	1,069,621
Total Assets	$30,728,183
Less: Debenture 5% Bonds	11,930,000
Balance of Equity per $16,162,800 Stock	$18,798,183
Equity per Share—$118.	

in varying amounts from 2½% to 7%. Since 1917 the rate has been 6%. In 1919 income from the Plaza Hotel investment amounted to $198,996 on U. S. Realty's share, indicating the profitable nature of this investment.

The New York Hippodrome is controlled by U. S. Realty through ownership of the bonds and stocks of the Forty-third Street Realty Co. For years this great playhouse has been run at a loss. In the past year or so, however, owing to the capable and economic management of Mr. Charles Dillingham, the noted producer, the Hippodrome has been doing very much better. In fact, it is understood that it earned about $500,000 during the season ended last Spring. From what I can ascertain similar results are expected for the current season.

The New York Hippodrome cannot be classed with the ordinary theatrical venture. It appeals to the rank and file of the American public and entertains some 2,000,000 patrons in a season. In its appeal to the general public it comes closer to the "movies" than any other form of entertainment.

The Debenture Bonds

U. S. Realty's capitalization consists of $11,930,000 20-year convertible debenture 5% bonds and $16,162,800 capital stock of $100 par value. The bonds are dated July 1, 1904, and fall due July 1, 1924. They are currently selling at about 80, where they yield a direct return of 6¼% and an indicated yield of about 13% if held to maturity. There were originally $13,284,000 of these bonds, of which $1,354,000 have been called, leaving $11,930,000 outstanding. The bonds are callable at 105 and interest upon three weeks' notice. The convertible feature attached to the bonds expired two years after they were issued.

For those who are partial to what amounts to a short-term obligation, these bonds are attractive. They are well-secured, being a direct obligation of the company and covered by property value nearly three times the amount of the outstanding bonds. Interest has always been earned by a safe margin. This is illustrated by the fact that in the past ten years interest has been earned 2.8 times on the average. There has been some talk of the company selling some of its real estate in order to call in the entire outstanding issue. If this should occur within a near period, those who acquired the bonds at present prices would reap a neat little profit. In any case, however, the bonds will be due in three and a half years, affording a substantial return at current prices.

Will There Be Dividends?

From 1907 to 1915 dividends on the capital stock were paid regularly. These varied from 5% in 1910 to 1% in 1915, when they were passed altogether. They have not been paid since. With the real estate end of the business picking up again, there is some speculation as to how soon dividends will be resumed again. Earnings in the past two

TABLE III.—FULLER CONSTRUCTION CO.—APRIL 30, 1920.

Statement of Contracts.

	Total Contracts	Contracts Completed	Unfinished Contracts
1916	$31,464,134	$15,147,172	$16,316,962
1917	41,116,677	16,731,400	24,385,277
1918	72,987,240	34,365,870	38,621,370
1919	76,019,567	51,047,048	24,972,519
1920	62,479,253	29,870,355	32,608,898

years and the favorable outlook for the company seem to suggest that shareholders can reasonably hope for a share in the company's profits within a reasonable period. The directors may prefer to wait until the debentures are paid off, but, viewed broadly, it seems very probable that dividends will be resumed eventually.

U. S. Realty faces a period of good earnings for the next few years. Its construction activities, especially, should result in increasing earnings. Its investments are turning out well, and the real estate end of the business is in better shape than it has been for years. All these factors indicate favorable results for the stock, although the debentures naturally offer more immediate possibilities.—vol. 25, p. 378.

How to Improve Your Position by "Switching"

Current Markets Afford Many Such Opportunities — Some Interesting Exchanges Discussed

By **D. J. RIORDAN**

A MISTAKE frequently made by those desiring to exchange their dubious securities for safer ones, is to assume that a sale of the former at lower than cost prices, which the transaction invariably involves, necessarily means taking a loss, and in some cases, a substantial loss. Now it is an old adage in Wall Street that a paper profit, so called, is not profit at all until actually "bagged," and by the same token a paper loss becomes an actual loss only when the transaction is closed and the loss can be determined.

Applying this principle to the so-called switch, a bond or a share of stock sold for the purpose of re-investing in a safer, more promising, and perhaps higher yielding security, may not entail an actual loss even though the security disposed of is sold far below cost. The newly acquired certificate purchased with the proceeds of the old may have declined as much in price as the one thrown overboard, and if both are selling at or near the same figure the transaction involved merely a trade of the one for the other. It is only when the new security is sold below cost and the transaction completely closed, that an actual loss can be registered. If, on the other hand, the security into which the switch was made should advance to the level at which the previously held issue was purchased, no loss at all would be involved, and should the advance continue to a still higher level, the result conceivably might be a very substantial profit.

Another mistake common to many investors, and to some speculators as well, is to balk at switching from a low priced security into a higher priced one, merely because the number of shares thus obtainable is less than the amount exchanged therefor. Hence many will hesitate to exchange dubious oil shares for those of a sound proposition like the stock of the Texas Company, for example, merely because considerably fewer shares of the latter can be obtained in exchange for their present holdings.

Now it is often difficult to find two securities, selling at the same price, that may be exchanged to advantage, and this is more frequently the case where the low priced securities are concerned. To switch from the one to the other might be tantamount to leaping "from the frying-pan into the fire." One might be inclined, for instance, to switch from a receivership stock such as **Bethlehem Motors** to some other issue selling in the neighborhood of $3 a share, and yet in so doing one might in nine times out of ten pick out a stock of a company which is rapidly heading toward receivership, and whose stockholders are likely to find themselves burdened with a heavy assessment that would have to be paid in order to avoid a total loss. It is obvious, therefore, that the only proper thing to do in a situation of this sort is to throw the highly dubious, or practically worthless, security overboard at once and invest the proceeds in a security having real worth and giving promise of some enhancement in value, whether the security selected be that of a railroad, an industrial concern, or a public utility. Where safety is the first consideration, all other things being equal, it ought to make little difference to the average investor where his funds are placed, nor should it make much difference to the average speculator.

Of course, this line of reasoning and the application thereof will appeal more strongly to the investor, with whom safety of principal and regularity of income is the chief concern, than to the speculator who will buy or sell anything, whether good, bad or indifferent, if only the security selected affords a fair opportunity for profit, and who figures all transactions either as actual profits or as actual losses, for as a general rule stock speculators are not accustomed to spend much time on post mortems. So whatever suggestions are offered in these columns will probably prove of greater interest to the investment community than to the rank and file of speculators, although it is conceivable that the latter also may now and then find a helpful hint in answers made to appeals received from readers of THE MAGAZINE OF WALL STREET, like the following:

An Uncertain Oil Proposition

"As a non-dividend payer, does it not appear that **Houston Oil** is selling pretty high? Sometime ago I was induced to purchase these shares on the strength of my broker's representations that the asset value of the stock was very much greater than that indicated at the time by the market price of the shares, which were then selling in the neighborhood of 95, and that it was only a question of a very short time when the stock would be paying very substantial dividends. Now, whether the stock is worth the price I paid for it, or not, is quite immaterial. What I should like to know is whether there is any chance of the stock paying a dividend in the near future; for naturally, I am rather averse to tying up my funds in non-income yielding securities, when so many sound issues are selling at prices which afford most unusual yields."

Ever since its introduction to trading on the New York Stock Exchange, Houston Oil has served as a speculative football for the more reckless class of operators, with the result that its fluctuations have been extremely wild. Obviously, this is not the sort of stock that a mere outsider can afford to dabble in. What the actual value of the stock is, we doubt whether anybody outside the innermost circle can state definitely. The company owns jointly with the **Republic Production Co.** valuable oil and gas properties in Texas, together with a controlling interest in the Southwestern Settlement & Development Co., which owns approximately 780,000 acres of land. It also has a valuable contract with the Kirby Lumber Co., which is said to yield an income of $800,000 annually. But making all due allowance for these holdings, whose value is more or less problematical, it would seem, in view of the fact that a settled oil production of 5,000 barrels a day, which Houston Oil is said to be enjoying, can be purchased in Oklahoma for about $8,000 000, that the company's capitalization of $35,000,000 is rather high.

All things considered, Pan American "B" stock, now selling about 15 points below Houston Oil, would seem to be a much more promising issue. It is possible, at any rate, to come to a definite conclusion as to what the stock is really worth. We know, in the first place, that the company owns about 75% of the common stock of the **Mexican Petroleum Co.**, and that this asset has a market value of somewhat in excess of $51,000,000, based on the present price of $165 a share. We know, also, that the company has a fleet of tankers, which is conservatively valued at $50,000,000. We know, moreover, that it has oil land holdings and other properties worth considerably more than the $9,000,000 assigned to them in the company's balance sheet, so that the company's actual assets are worth considerably more than the total amount of "A" and "B" stock outstanding (approximately $69,000,000), and very much more than the market value of these issues, based on the price of $78 a share for the "A" stock and $72 for the "B." Moreover, the Pan American issues are paying good dividends, namely, $6 a share per annum, while Houston Oil is paying nothing. More important still, Pan American's earnings show a big margin over the company's dividend requirements, the year's estimated profits being equivalent to about $17 a share on the stock, while Houston Oil's income from oil production is hardly sufficient to permit of the payment of any dividend, for after allowing for the usual dividend on the $9,753,600 6% cumulative preferred stock, only $1.18 a share was earned in the September quarter for the $25,000,000 of common stock, or at the rate of about $4.72 per annum. Obviously, this showing will not bear comparison with that made by Pan American for the same quarter.

The technical position of Houston Oil stock is such—in other words, the stock is so closely held—that it could probably be moved up very rapidly in any kind of a bull market, and yet it could drop just as easily in the event of any considerable selling. But one who values his peace of mind and is satisfied to receive an excellent return for his investment, might conceivably do worse than dispose of his Houston Oil and invest the proceeds in Pan American "B" stock, which students of values generally regard as the more attractive of the two issues, since it is selling some six points below the "A" stock, and is entitled to share equally with the latter in both earnings and assets, the only difference between the two being that the "A" stock has voting power, while the other has none.

An Advantageous Exchange of Utility Bonds

"Since 1917 I have noted a gradual falling off in the earnings of the **Brooklyn Union Gas Co.**, and as a holder of the company's 1st mortgage 5% bonds, I naturally feel nervous over the safety of my investment. I don't know whether I should sell or not in the present condition of the market, for a sale now would entail a rather severe loss. However, I should welcome any suggestion offering a way out of the difficulty, that is, I should be glad to have you name another bond, preferably a public utility, into which I might switch

to advantage and without paying too high for the privilege."

Brooklyn Union Gas 1st consolidated 5s, due May 1, 1945, of which $14,698,000 are outstanding, are a direct obligation of the company and secured by a mortgage on its entire property, subject to some $264,000 of prior liens, namely, the outstanding issue of **Citizens Gas Light Co.** consolidated 5s of 1940. The bond is now quoted at about 74. So far as property is concerned, the issue is secured by a wide margin of equity, the company owning six water gas producing plants having an aggregate daily capacity of 82,000,000 cubic feet, and twenty-seven gas holders with a total capacity of 31,057,000 cubic feet. It also has fifteen distributing stations, and about 1,021 miles of gas mains, the aggregate value of these properties being very much in excess of the amount of bonds outstanding.

But unfortunately, owing to various causes too well known to be gone into very extensively here, the company's earnings in recent years have declined very materially. In 1917 the company reported a net income of $1,521,432, after taxes and charges; but by 1918 its income had dropped to $199,791, while last year a deficit, after taxes, of $706,848 was reported. This deficit might have been avoided had the company acted a little sooner in the matter of omitting dividends on the capital stock, but as it was, the year's income showed only a small margin earned over fixed charges. Last February the company obtained an injunction from the U. S. Circuit Court of Appeals restraining the state and city authorities from enforcing the 80-cent gas law, following which it immediately put into effect an increase in the price of gas to 97 cents a thousand feet, the court order to that effect providing that all funds collected above the old 80-cent gas rate be impounded until such time as the company's suit to invalidate the 80-cent law was passed upon by the higher courts. Subsequently the company obtained another court injunction to afford temporary relief pending the final decree, with a result that the rate was again increased to $1.10. The matter is still in litigation, for the U. S. Supreme Court has not yet passed upon the validity of the 80-cent gas law of the state of New York; but the preponderance of legal opinion seems to weigh heavily on the side of the company, and should the new rate be upheld, the company's earnings doubtless would show substantial improvement, which should in turn serve to raise the investment status of the company's outstanding bonds. But until the matter is finally disposed of, investors naturally will have some cause for anxiety.

Rather than continue taking chances, however, it might be advisable to switch into a more certain issue and one whose investment status is quite beyond question, such as, for instance, the **Pacific Gas & Electric** general and refunding mortgage 5s of 1942, which are now selling in the neighborhood of 76.

This bond is a direct obligation of the company, and secured by a lien on all the properties now owned by it, or hereafter acquired, but subject to $50,417,900 prior liens, mostly the underlying issues of subsidiary companies. The bonds are also secured by a deposit of practically the entire capital stock of the San Francisco Gas & Electric Co., the Standard Electric Co. of California, the California Gas & Electric Corporation, the Northern California Power Co., and others, having in all a face value of $91,971,000. They are further secured by a sinking fund provision, under which, commencing April 1, 1912, the company is obligated to set aside from earnings 1% annually of all outstanding bonds, including underlying bonds and those held alive in the sinking fund. It is estimated that this fund will retire $38,000,000 of these bonds and underlying bonds by maturity of the issue. The company serves, directly or indirectly, some 200 cities and towns in central California, having a combined population of about 1,900,000, with gas and electricity for heating, lighting and power purposes, as well as with street railway facilities and water for power, irrigation and domestic purposes. Among the more important places served are San Francisco, Sacramento, Oakland, Fresno, Berkeley, and Stockton. As the total value of these properties is very much in excess of the total of bonds outstanding, the general and refunding 5s appear to be well secured as to property. The company has a satisfactory record of earnings, also, for it not only has earned its fixed charges twice over during each of the last six years, but has also earned a good margin over the preferred dividend requirements, the preferred stock paying 6% per annum, and also a good margin over the dividend (5%) being paid on the common stock. In the last year or so the earnings have expanded at such a rate that the company, it is estimated, is now earning between $8 and $9 a share on the common stock, of which $34,004,000 is outstanding.

From all this, it is quite obvious that the first and refunding 5% bonds of the Pacific Gas & Electric Co. are entitled to a somewhat higher rating than the Brooklyn Union Gas issue described above, and since there is a spread of only 2 points in the price at present, a switch would seem advisable, for by paying the difference one might conceivably be spared no inconsiderable amount of worry.

A Soft Drink Stock

"On the assumption that nation-wide bone-dry prohibition would impart a powerful stimulus to the soft drinks industry, I purchased last January, when the stock was selling at 36, 200 shares of Coca-Cola. In April following, quarterly dividends of $1 a share were inaugurated and this lent additional strength to my belief that I had made a wise investment. Much to my surprise, the stock from that time on declined steadily, the dividend has since been passed, or 'deferred,' and the stock is now selling at what would appear to be panic prices.

"Is there anything fundamentally wrong with the company to account for the stock's collapse, and do you think I should take my loss?"

The fundamental weakness in the company's financial structure is to be found, no doubt, in its excessively large capitalization. The company has outstanding $10,000,000 of 7% cumulative preferred stock ($100 par) and 500,000 shares of common stock having no par value. The balance sheet as of December 31st, last, fixed the value of property and plants at $2,333,512, and showed net working capital of $3,033,835, so that the company's total tangible assets on that date amounted to $5,367,347—an amount little more than one-half of the preferred stock outstanding. Formulæ, trade-marks and good will were valued at $24,959,222, and while these undoubtedly have value, it is plain, nevertheless, that all of the common stock and no small proportion of the preferred represent wind and water, even though the water may be highly sweetened. Nevertheless, the company up to a few months ago was enabled to show substantial earnings on its more or less inflated capitalization. Last year the company earned the equivalent of approximately $8 a share on the common stock, after payment of preferred dividends, and for the first six months of the current year $4.61 a share was earned on the common. And yet the directors last October found it necessary to postpone action on the common dividend, the reason given being that the company had a large sum invested in sugar, evidently bought at high prices, and that the uncertainties of the general financial situation had made it advisable to conserve cash resources.

A really cheap stock, considered on the basis of its asset value and past earnings and one into which a switch from Coca-Cola might be made to one's ultimate advantage is **Consolidated Textile**, which is now selling at about the price of the soft drink stock. This company controls some of the country's most important textile mills, a recent acquisition being the mills of B. B. & R. Knight, Inc., manufacturers of the famous "Fruit of the Loom" product. Since its incorporation on September 7, 1919, the company's earnings have been quite remarkable. For the period from January 1st to August 28th of this year it earned a surplus, after charges, but before Federal taxes, of $3,298,707, this being equal to $12.32 a share on the outstanding 267,637 shares of capital stock, or at the rate of over $18 a share per annum.

But instead of buying the stock at current prices, it might prove more profitable in the long run to invest the $2,000 proceeds from the sale of your Coca-Cola stock in the 3-year 7% sinking fund notes of the corporation, which mature April 1, 1923, and which are now convertible into the common shares at 21. In other words, one may at any time up to April 1, 1923, exchange $1,000 notes for about 47½ shares of stock. But as the notes are now quoted at around 93, the actual cost of the stock at conversion would be approximately 19½. Thus, in buying the notes one secures a call on the stock at 19½, running nearly 2½ years. It is possible, of course, that dividends on the stock may be omitted should the depression in the industry prove more or less protracted, but the interest on the notes, which are amply secured by property, will undoubtedly be paid, and so whatever may be done with the dividend on the stock, one buying the notes is assured of an excellent return on his investment.

Moreover, it is quite conceivable that before two years from now the textile industry will be fully restored to a normal basis, and will, perhaps, be in a flourishing condition again. In anticipation of this development, it is not at all improbable that Consolidated Textile stock will be selling considerably above the prevailing level, so that one who buys the notes now stands a very good chance of reaping a handsome profit on exercising the conversion privilege.

Answers to Inquiries

FOUR MOTOR ISSUES

Complying with your request to name four good motor issues selling at medium prices, all dividend payers, with earnings that are likely to continue to show a good margin for the current dividends, we submit the following:

Chandler Motor at 74, paying $10 a share. The dividends seem high, in fact, too high for the price, but officials of the company seem confident of their ability to continue paying it. Even if the dividend should be reduced to $8—a contingency we might concede for the purpose of "playing safe," the stock is remarkably cheap at 74.

Studebaker at 41 paying $7. Here also the low price makes the dividend look suspicious, but the company has done very well even up to September 30, 1920, when net sales were over $73,000,000 for 9 months, against $66,000,000 for the entire preceding year, and net equals about $15,000,000 annually against about $11,000,000 for 1919. Conservatively, the dividend of $7 was earned 4 times last year, and we should judge that not less than $20 a share was shown on the common until very recently. The surplus was nearly $21,000,000 last year, and was recently written down to under $12. The stock looks cheap regardless of dividend possibilities.

White Motor at $35 paying $4. Makes all kinds of autos, but specializes in a good truck. Enjoys excellent prestige both as a corporation and for its goods. The White Company has always been identified with conservatism, and it is making good at a reasonably rapid pace. Although ordinarily a steadily moving stock, White has enjoyed its expansive moments, selling up to 86 in 1919, and declining from 69 this year. The stock is very well rated, and looks cheap at these levels.

International Motor 1st preferred, at 70 paying $7. There is a very small mortgage outstanding, preceding this stock, but it is practically a first call on the company's assets. The company is the outgrowth of much reorganization and refinancing, and manufactures some leading lines of trucks such as the Mack, Saurer and International. Although it "paid" a liberal stock dividend of 100% (which, by the way, has not done its recipients much good marketwise) in common stock, this does not affect the preferred stock in any manner. Although this preferred stock has a rather narrow market, it seems well secured and attractive.

We may add that we have pointed out the possibilities of General Motor 6% and 7% debenture issues on several occasions, and also regard Hupp Motors around 10 with great favor.

GENERAL ASPHALT

Its Transfer to the N. Y. Stock Exchange

The transfer of this stock to "the big board" has no greater significance beyond the apparent desire of its management to see a better, broader and more public market created. It started on the Stock Exchange around 35 and promptly declined to 32—which is a new low level for its recent market history.

This start is not uncommon for curb stocks because there are a large number of professional operators on the "Exchange" who do not think much of curb stocks, can more easily sell short when it is listed, and—they just have a way with them of expressing their sentiments. The ticker abbreviation is ASP, which should be a warning not to attempt to follow General Asphalt's wild fluctuations.

In spite of its present low earning power, the company is a very substantial one, and its ultimate earning power apparently very large. Its preferred stock has been a dividend payer at the regular 5% rate since 1910. This preferred, selling between 72-75, is convertible into the common stock at the rate of 1½ shares of common for each preferred, and besides its investment qualifications, apparently sells above the level of a 5% issue because of this privilege. However, we figure, the privilege is hardly worth the premium of about 20 points, and would rather purchase the common stock between 30 and 35, as a good speculation, if it were possible to buy it as low. Pan American B, a 6% stock around 72, looks better than Asphalt preferred, a 5% issue selling about 3 points higher.

ESTABLISHING LOSSES TO REDUCE INCOME TAX

You ask concerning an Income Tax Ruling permitting a holder of securities to sell out, establish a loss, and buy back at the same or different prices.

There is no Income Tax *Ruling* on this point. The 1918 Income Tax Law itself provides that an individual may take as a deduction from income, *any* loss which he sustains in any business transaction. That means that an individual who has purchased stocks or bonds which he sells out during the year at less than cost price, is permitted to deduct the loss. That completes his transaction. If he thereafter purchases the same or similar securities, that starts a new transaction which is not closed until the securities so purchased are sold.

In order to establish the loss, the sale must, of course, be a bona fide sale.

THE "DIVIDE" ISSUES

All Are Highly Speculative

We have never failed to emphasize that no matter how promising a mining stock may look, it cannot be classed otherwise than a speculation. The degree of risk is much greater when we enter the low-priced division, and particularly those selling under $5 a share. When we enter the "penny" class of mining stocks, the buyer should understand that he is really gambling with his money.

The Divide boom was based upon a remarkable strike in the mine of Tonopah Divide of Nevada, which resulted in an advance from around a few pennies a share to above $12. In the wake of this stock followed Divide Extension and a number of others. When the boom in the market collapsed, it was discovered that someone had apparently made a mistake, or miscalculated, or exaggerated. It is not known yet what really happened, but from dollars a share, many of the Divide stocks fell to pennies—in which latter class they apparently belonged at all times.

It was always felt, however, that Tonopah Divide and Divide Extension were in a class by themselves, namely, a coming mine, and a promising development proposition. Recent reports that come from the Tonopah Divide mine seem to be encouraging from a development standpoint. An engineer reports that a new ore-body on the 800-foot level looks more promising because the sulphides are higher grade than the oxidized ore on any of the upper levels, which is apparently an indication of greater permanency.

Some engineers contend they are on top of a big mine, while others are as equally emphatic that the property is next to worthless. However, the shares are selling at about 1¼. Divide Extension sells for 32 cents, Gold Zone (Divide) about 25 cents. There are several other "Divides" like Belcher Divide, Victory Divide and Dividend Divide, all more or less "active" on the Curb around a few cents. Quite obviously, anyone with little money to lose would be well advised to let them alone.

DELATOUR BEVERAGE UNDER SOUND MANAGEMENT

A careful study of this company leaves no room for doubt that the Delatour Corporation has a sound management, specializing in high-class beverage products, and that its business policies are conservative. An official of the company writes:

"Our office and up-to-date factory can be found at 241 Borden avenue, Long Island City. Your correspondent is gladly invited to inspect our establishment. He will find it one of the most up-to-date in the United States. Our business is a profitable and satisfactory one, and is growing each month. Our stockholders received a 5% dividend, or $25,000 in all, for the fiscal year which ended July 31, 1920.

"In addition to this, our plant was moved from Manhattan to its new location in Long Island City at an expense of approximately $30,000."

Our position towards the soft drink stocks is known to our subscribers. We considered the boom in them ill-timed,

(*Continued on page 271.*)

Ajax Rubber Co.

Depression in Ajax Appears Temporary

Decline in Stock Not Warranted by Available Facts—Fortified Against Periods of Stress—Low Price Raises Doubts

By **B. L. GOODRICH**

AJAX RUBBER has acted in a very peculiar manner since last March, and although part of the explanation may be the cutting of its dividend from $6 a share to $4, commencing December 15, it has been going down so methodically that a closer examination is necessary to look for causes.

Prices have come down very substantially; cuts ranging from 10% to 25% have been extensively announced—in fact the Ajax company was among the first to announce a reduction of from 10% to 15%, effective November 15, in order to stimulate the volume of sales. A rather vague statement came from the management, along with this announcement, to the effect that "While Ajax has suffered with other companies from trade depression, the company is still operating on a profit." This is diluted optimism with a vengeance, when we consider certain other facts:

(a) In presenting his report for the six months, June 30, 1920, President De Lisser assured stockholders that there was every indication that business for the remainder of the year 1920 would continue to show an increase in volume over any previous year.

(b) The earnings for that six months' period were about $7.50 a share on 200,000 shares of stock, or $15 annually. In the preceding year the total for the corresponding period was $9.43, but the annual total was $11. In 1918, about $8.50 was earned on 142,000 shares. The three-year average, 1917-1919, showed an earning power of well over 20% annually, which must be compared with a present dividend requirement of 8%—par value of stock is $50, and the dividend $4.

(c) On August 12, 1920, President De Lisser stated *inter alia:* "We have earned a sufficient profit during the first six months to provide the dividend for the entire year 1920, two quarterly payments of which already have been made. In addition, there is a substantial amount added to our surplus account, which shows to be $3,000,000, after deducting all dividends paid to date." From this simple statement of fact, it is evident the company could have continued its $6 dividend, and the president must be complimented for the use of an ingenious phrase that did not commit the company to a payment that might have proved unwise in the light of subsequent events. It is equally clear that the larder is well stock with the cash "provided," but not disbursed.

(d) The turn for the worse for the final six months of 1920 cannot be so bad when we consider that the company was doing a record business as recently as June, and an undisturbing price cut was made during the final six weeks of the year under review.

A Too Conservative View?

This apparent caution on the part of the management seems quite justified when the situation is delved into a little more deeply. The outlook has changed very materially during the past six months, business liquidation has run on at an unprecedented pace, and the sudden reversal of sentiment on the buying side has had an effect on the tire industry that cannot be met by the simple assurance "all is well, and will be well." The company is one of the leaders in the automobile tire industry and its prosperity for the present goes hand-in-hand with that business, particularly in the pleasure and commercial car end. The truck industry will ultimately furnish the tire companies with a much greater outlet, perhaps exceeding its present business, but this is a somewhat distant prospect.

The Trenton, N. J., factory produces 300,000 casings and 300,000 tubes annually, or a daily average of about 1,000 of each at its principal plant. Another plant is operated at Racine, Wis. (taken over in 1916 from the Racine Rubber Company); a third plant at Jackson, Mich., was put into operation last summer with an output of 1,500 casings daily; and a further plant was contemplated on a ninety-acre tract at Sandusky, Ohio. On the latter it was proposed to erect from 1,000 to 1,500 homes, which, translated into terms of tires, means at least 1,500 casings daily.

This immense program, both under way and in progress, finds its reflection in more recent figures of the company's finances. Inventories rose to the record figure of $7,853,017, against $6,539,780 in the preceding year. Receivables gained about $2,500,000 for a total of $7,284,948. As usual, the company has no funded debt, but its floating obligations rose to a new high of $7,355,193, compared with $4,597,721. These gains would not be out of proportion to the corresponding volume of business. Recent figures as to sales are not announced, but the writer calculates that they are nearly double the 1917 figures when over $13,000,000 was shown, which increased to over $19,000,000 and $22,000,000 in the last two years. Working capital was over $8,000,000 last summer, which is satisfactory, but not too much for such a business during these times.

Considering the heavy inventory, large receivables that may not be too "liquid" at present, and the heavy obligations of third parties to the company, that may not be easy to collect at present, it is easy to see where the pinch comes.

The Outlook

We have mentioned the peculiar action of the stock in recent months. We say "peculiar" advisedly because the stock has consistently registered a new low price each successive month beginning March, 1920. It is of passing interest that it sold at 113 last year after a steady rise from 45.

The low of March was 69. Here are the successive "lows" as registered month by month to this date: 65, 64½, 61, 45, 44, 40¾, 38½, 31½ and 24½.

It is worth remembering that although 200,000 shares are outstanding, a further 200,000 are in the treasury reserve that may be disposed of as the directors may determine. The increase authorized in February, 1920, was to provide future requirements of the company. Had the market been other than a "bear" market, stockholders would doubtless have heard from the company ere this on the subject of new rights, but new offerings are not popular with stockholders when they see quotations melting away. The company can do several things with the stock on hand. It can stand pat, sell privately to a syndicate or otherwise, *sell in the open market*, or pledge its stock for loans.

This is a poor kind of a market to sell large blocks of Ajax Rubber, and if the company has been allowing the market to absorb some of its reserve holdings from 65 down—and it certainly looks to the writer as if stock has been coming from a major source—such selling is not likely to go on under 30, in my judgment. Of course, if the company has done some selling, it likewise has the money in hand, and this might save some possible new financing in the way of short term notes or funded debt—of which latter the company has fought shy of in the past.

Conclusion

The company has passed through a very trying period and appears to be in good shape. If its obligations are large, its business is equally important, and the turn in the tire industry is probably not so far off as most people probably imagine. Orders should commence to come along in volume after the turn of the year when owners' thoughts again turn to the Spring and Summer months, and the possibilities of the "flivver," the limousine and the big out-of-doors. There is a growing sentiment towards the all-year car, which means more motoring, more mileage and less dead storage in Winter months. This will mean better business for Ajax Rubber. There are as many bright spots on the horizon as there are bearish factors, and with the stock selling at 27 it seems to me that the very worst has been discounted, even if the dividend should be further reduced temporarily. While the $4 dividend should not be regarded as a certainty, I believe buyers or holders between 25 and 35 have an excellent specvestment in Ajax Rubber.

Those who have confidence in the longer range possibilities of the tire industry will find the stock representative of the best in its class.—vol. 24, p. 128.

Doubtful Dividend Payers

What Should the Holder Do About It? — Several Exchanges Suggested

By Members of The Magazine of Wall Street Staff

(Article I.)

THE present depression and unsettlement, affecting alike the railroads and the industrials, have operated to diminish the earnings of various corporations to a level where their current dividend rates are no longer well secured. While virtually all companies have been affected, they have not suffered in like degree, with the result that income, as far as it can be forecast at this time, seems ample in some instances to cover present dividends, while in other cases it may prove insufficient.

With few exceptions, the decline in the market has been almost horizontal, representing the necessities of sellers rather than the showings of the individual companies, and in many cases the stocks of companies whose dividends are well secured by current and prospective earnings have sold as low as the issues of corporations not so fortunately situated.

This suggests the advisability of switches and several carefully selected recommendations of this kind are here made for the benefit of those who are not in a position to follow closely the incomes of many companies. In this article the rails and oils are covered, and other classes will be discussed in a later issue.

ATLANTIC COAST LINE is paying 7% on its stock. General railroad conditions and prospects in the South are fully treated elsewhere in this issue and reference is made to those pages for more detailed information. The salient features of this company's situation follow: In September the road had a substantial operating deficit, which was repaired by the results of October, but the income for the two months, projected to an annual basis, would barely cover fixed charges after taking credit for the 7% dividend on the company's holdings of Louisville & Nashville stock.

A continuance of the present dividend by Louisville & Nashville, in spite of the fact that the road earned an annual rate of only $3.50 a share in the two months, is a fair assumption, because the company has had a large margin of earnings over dividends for a long period of years and has built up a large surplus. Thus, the dividend would probably be paid through a lean period of considerable duration. The same is not true of Atlantic Coast Line, whose dividends have run closer to the margin of earnings.

On the basis of October alone, with September eliminated, Atlantic Coast Line would make a better showing, but the result would still be considerably below rental. Moreover, later figures of gross revenue from the South show that October was the best month the railroads of that region are likely to have for some time.

ILLINOIS CENTRAL, while it is officially classed as a Southern road, has not been greatly subject to the influences that have weighed so heavily on other roads in that region. This is due to the fact that it has important mileage in the Western region, which received a 35% increase in freight rates as against 25% for the South, and to the large import traffic and export traffic, on which it gets a long haul between New Orleans and Chicago. Thus, the road is less affected than others by conditions peculiar to the South.

In September and October, Illinois Central earned at the annual rate of $12 a share, against its $7 dividend. Both Illinois Central and Atlantic Coast Line are selling around 85, and holders of the former who sell and use the proceeds to buy the latter, would apparently be making a wise move.

GREAT NORTHERN and NORTHERN PACIFIC are in a bad state to pass through the depression which seems inevitable for the Pacific Northwest during the next few months.

General conditions in the Pacific Northwest are certainly not better than in the South, with the additional disadvantage that the region is oversupplied with traffic facilities. Besides the inactivity in the copper and lumber industries, stock has been driven out of large parts of this region as the result of successive droughts.

Both these roads for several years have been paying dividends at the rate of 7% and running uncomfortably close to their earnings. Arrangements may be made for the Burlington maturity of $215,000,000 next summer, on which these two roads are guarantors, but no arrangement can be made that will prevent a large increase in charges for one or all of the roads. In other words, the Burlington surplus income, which has been accruing to the benefit of the two holding companies for many years, will be diminished by several million dollars annually as the result of this refunding operation. This is the best that can be hoped for.

During the first two months under the new rates, Great Northern earned slightly more than its dividend requirement and Northern Pacific slightly less. The trouble with the Great Northern showing was that the bulk of the income was earned in September, with October showing a big decline from the preceding month. In this respect, Great Northern reversed the position of most of the roads.

Great Northern preferred is selling around 74 and Northern Pacific around 78, and it is not possible to obtain a well-secured 7% railroad stock around this level.

WESTERN PACIFIC preferred, however, although limited to 6%, will become the equivalent of a 7% stock by means of the stock dividend, which the company has announced its purpose to declare.

Western Pacific will earn about $11 a share on its preferred stock in 1920, and for this road the year is made up of two months of inadequate rental, six months of operations under the old rates during four of which the higher wages prevailed and four months of operations under the new rates.

It is intended to pay a dividend of 16 2/3% of preferred and 16 2/3% of common on both preferred and common, and 6% on 16 2/3 shares is 1% as applied to 100 shares, so that the purchaser of the preferred at the present time acquires a stock that will return the equivalent of 7% in the near future.

The additional stock represents the new equity acquired in Denver & Rio Grande, and the additional charges will be met by income from securities in Denver and by dividends on the stock of the Utah Fuel Company.

I should much prefer Western Pacific preferred selling around 69 to either Great Northern or Northern Pacific at their present prices.

PENNSYLVANIA RAILROAD, considered jointly with Panhandle which will soon be operated under lease, earned during September and October at the annual rate of about 50 cents a share on the former's stock ($50 par value) now paying $3 a year.

ATCHISON in the same period and under the same assumptions earned $7 a share compared with $6 now being paid. Pennsylvania has a large proportion of its investment in lands and terminals; Atchison has not. Pennsylvania operates in a region that will be most seriously affected by an industrial depression; Atchison in a territory that will be least affected. Pennsylvania has been borrowing a good deal of high-rate money and its investments are not done; Atchison has been borrowing little and has few investments to make. Atchison is in stronger cash position.

With Atchison selling around 81 and Pennsylvania around 40½, or the equivalent of 81 for $100 stock, I should not hesitate to sell my holdings of the latter and use the proceeds to purchase the former.

Four Oil Switches

SUPERIOR OIL.—It is difficult to see how Superior Oil can maintain its $2 dividend rate. This company has an authorized capitalization consisting of 2,500,000 shares of capital stock, of which 1,231,811 shares are outstanding. The company would therefore require a minimum net income of $2,463,622 in order to meet its dividend requirements. In the six months ended Dec., 1919, it earned $141,801 or at an annual rate of about 23 cents a share.

At that time, however, production amounted to only 1,200 barrels daily. Stated production is now about 7,000 barrels. In addition there has been some advance in the price of crude. But even under the most favorable circumstances, this hardly seems to have been sufficient to bring earnings up from 23 cents a share to the $2 a share, necessary to pay dividends. Dividends, therefore, cannot be regarded in too secure a position.

Superior Oil sells at about 13 and a good switch would be Pierce Oil common, which sells two points lower.

PIERCE OIL has a good record and is

company which has a ... future. It is a well-rounded organization, being a refiner and distributor as well as producer, thus giving it quite an advantage over Superior Oil, which is entirely confined to the production end of the business. Pierce Oil pays 5% annually in stock dividends, and there seems to be little question that sooner or later the stock will be placed on a cash dividend basis.

Middle States Oil has 860,000 shares of capital stock, $10 par, all outstanding. Shareholders have authorized an increase to $16,000,000. The company has been extremely liberal with shareholders, paying some very large stock dividends within the past year. Cash dividends are at the rate of 40 cents quarterly. The company derives its revenue entirely from production, which is considered a more or less uncertain source of earnings. Also a drop in crude would not help matters any. It is dangerous, however, to get too bearish on any large producer as the discovery of important oil-bearing property would make a very considerable difference. Nevertheless, considering that this company depends entirely upon production there is some doubt as to the company's outlook should production fall off or crude decline, or both. A switch into

Southern Pacific "rights" would be a desirable switch on the basis of 100 Middle States for 50 Southern Pacific "rights." These rights are convertible into Pacific Oil, which is a much superior proposition to Middle States.

Continental Oil is a Standard Oil company, located in the Mid-continent field. It paid a 200% stock dividend this year, reducing the cash dividend from $12 to $8 annually. The company, last year, lost about $2,000,000 in an unsuccessful search for new production. Most of the mid-continent production has been absorbed by Midwest, which supplies the Standard Oil of Indiana. Also Texas Company and several other important concerns have been making encroachments. This new competition is coming in a field where Continental was formerly predominant. Later on, this factor may prove quite a handicap to the company which depends on this district for all its crude supplies. Up to the present, however, earnings have continued large. Nevertheless, the possibility of increased competition in a more or less limited field suggests a possibly unfavorable outlook.

Texas Company, which sells at about 42, looks attractive as a switch for Continental, which sells at about 105. The could be effected on the basis of 40 shares of Continental for 100 shares of Texas. The latter pays $3 a share in cash, which would bring the yield received from 100 shares of Texas approximately equal to the yield received from 40 shares of Continental. Also Texas pays something in stock dividends which materially enhances the present value of the shares.

Columbia Gas & Electric pays $5 a share but earnings are not at a rate to suggest that this dividend is being earned by a wide margin. The company does not show stability of earnings at all comparable to other important oil companies and a switch from this stock into some better one is advised.

Pan-American "B" would be a good switch. Pan-American owns 75% of the stock of the Mexican Petroleum Company, and the rate of revenue from the earnings of this company is far above the $6 dividend now being paid on the Pan-American stock. There has been some talk of this dividend being increased, something which could easily be done in view of the present and probable future rate of earnings.

Pan-American "B" stock sells at about 75 and Columbia Gas & Electric at about 53. The latter yields more at current prices than Pan-American "B" but Pan-American is in a much stronger position with regard to earnings and consequently with regard to dividends.

PROGRESS OF BRITISH LIQUIDATION

(Continued from page 226)

value of the rupee 20 to the pound sterling, instead of the present rate of 10. Some financial juggling of this kind was found necessary during the war, and it is suggested that in view of the present complicated situation the foreign exchange value of the rupee be cut in half. As for silver, China is now the only important purchaser, according to a prominent London bullion dealer, and its decline in purchasing power is being reflected by the continued drop in silver. Europe has little more silver to sell, according to the same authority, having been about "cleaned out," and the Pittman Act helps silver only in a negative way, by keeping the supplies of new American silver off the market. In his opinion, there are possibilities that silver may go lower, but few that it will go higher, though conditions are so uncertain that it is impossible to present his conclusions in a more dogmatic form.

Relations with Labor More Harmonious

Negotiations in the coal industry continue as between the coal owners and the miners, both sides apparently showing a desire to work in harmony, now that the strike is over, and to attain maximum production. The important difference of opinion is that the miners want the new wage scale to be drawn up on a national basis, equalized for the whole of Great Britain, while the owners want to continue the present system of differentials as among the different fields. Decontrol in coal has fairly well got under way since the strike, the Coal Controller having abandoned the regulation of coal export prices, brokerage, profits, etc., retaining only control over the amount of coal exported. For this latter the coal exporters propose to substitute the establishment of a fixed amount for domestic consumption, whatever is produced above that amount being left uncontrolled for export.

The dye industry is about to have its innings in Parliament, the dye makers contending that the Government has not lived up to the pledges which it made to them in war-time, and on the strength of which they embarked in the industry. On the other hand it is asserted that the interests of the textile industry are paramount to those of the dye-makers, from a national point of view, and that the two are in conflict. A licensing scheme, with regulated imports and restrictions on minimum price, seems to be the favored solution of the dilemma.

TRUST COMPANIES OF THE U. S.

In the eighteenth annual edition of "Trust Companies of the United States," recently issued by the United States Mortgage and Trust Company, President John W. Platten, in a review of the year's record, said:

"The fiscal year covered by this edition has again witnessed a marked progressive tendency within the ranks of these institutions.

"The total resources of the 2,241 trust companies reporting show the impressive total of over $12,451,000,000, an increase of $1,300,000,000 over last year's figures, and $6,100,000,000 greater than five years ago. In total resources, New York State leads with $3,600,000,000, or 28% of the trust company resources of the country."

WHAT FOREIGN TRADE FINANCING MEANS TO AMERICA

(Continued from page 223)

would have the efficiency attaching to large organizations; it would give the utmost protection to the investor; it would be better able to encourage thrift; it would give to every locality the fullest possible use of the capital and funds coming out of that locality; and, finally, it would claim the highest degree of public confidence at home, and by virtue of its prestige and position would exert a certain and commanding position abroad.

The proposed corporation, if formed, will therefore offer many inducements to the American investor, both from the standpoint of the safety of the investment, which, drawing its strength from so many sources, would be of the highest, and from the standpoint of the attractiveness of the return that is likely to go with that safety.

The investors in such a corporation, consequently, will be drawn from all classes. But there are certain classes which, in addition to receiving a benefit through their investment, will be receiving a further benefit through the activities of the corporation itself; and it will be doubly in their interest to support this corporation by purchasing its securities. It will be in the interest not only of manufacturers and farmers, but of labor, because it will be one of the main purposes of the corporation to aid all three.

It will do this not only directly, by extending credit to the direct foreign purchasers of our goods, but it will do it also indirectly. By aiding the prosperity of our exporters, it will aid the prosperity of the country as a whole; it will increase its purchasing power, and it is upon this increase in purchasing power that the manufacturer and farmer must depend for the ready and profitable sale of their products, and labor for its wages and the steadiness of its employment.

Building Your Future Income

The Fourteen Obstacles to Successful Investing—No. 11—Provincialism

THE story is told of a shoe factory that was organized in a certain small hamlet up-State. The people in the immediate vicinity were visited by the factory promoters, and the possibilities of the business were painted to them in glowing colors.

"Here is a chance," the salesman said, "for you to make an investment in a business you can see, whose directors you will know personally and whose operations and equipment everybody in town will know all about from actual contact with them. The success of this undertaking will boom property values in your town and perhaps make a big manufacturing center of it. Anyway, as a matter of local pride, you ought to back the enterprise with some of your money."

The arguments proved irresistible. Under similar circumstances they almost invariably do. Every man and woman in the town who had any surplus cash, invested in the local factory. Those who didn't have any immediate surplus sold some of their nationally-known investments to get in on the affair. For months stock and bond offerings from oustide people—New York City banks, for example—were turned down.

The erection of the factory was a feat of speed and efficiency. Inside of a few months it was ready for business.

The doors were thrown open when the boom in the shoe manufacturing business was at its height. For several months the company was crowded with orders and it looked as though the product of local pride had proven itself.

About a year later, however, the European war ended and the unparalleled shoe business began to recede. The little up-State factory found itself over-extended; materials had been purchased in advance, but unfilled orders had declined to small proportions.

The directors of the little company had only one recourse and that was to get a loan to tide their company over the period of slack business it faced, and during which it would be slow, tedious business working off their output at anything like the prices necessary to profitable operations.

Their first plea was made of the townspeople. But the townspeople, having already invested practically all their surplus funds in the company, became immediately somewhat skeptical as to its future, and were either unwilling or unable to help out.

Then the directors went to the local bank. But there their hopes doomed before they sprouted. The local bank represented the townspeople and would not extend a loan of which the townspeople had already registered their disapproval.

The last avenue for the directors of the shoe factory was outside banks. And here they were confronted with the sudden realization that, when they had built up their little concern on local credit, they had practically forfeited, if not disdained, the co-operation and interest of outside credit. The big city banks, they discovered, were not interested in them. They had enough to do, it seemed, to take care of their larger clients, who operated nationally-known shoe factories with branches distributed all over the country.

It wasn't long before the product of local patriotism had gone to the wall. And the surplus cash of practically every man and woman in the little up-State town was swept away.

* * *

THE point to be made is not, by any means, that local co-operative business organizations are necessarily doomed to failure. There have been successful undertakings of this type.

The significant point is that, when an investor is selecting an avenue for his surplus funds, to discriminate in favor of local enterprises merely out of a sense of local patriotism or in the belief that having an investment under his eyes is any special assurance of its integrity, is poor judgment.

Insularity never helped a nation. Provincialism is the first evidence of a declining community. A business organization, dependent for its credit on the small resources of a limited township, without those linking and interlinking relations with the outside world, which are the surest bulwark in times of stress, is certainly limited for all time in its scope and potentialities. To become successful it must be the outgrowth of an exceptionally brilliant idea; or it must be able to compete with the big outer world factories, mail order houses, and so on.

Local patriotism is a fine thing when it comes to village improvement societies, harbor developments, community clubs and the like. But when it comes to investing funds, the man who plays the Chattanook Shoe & Glove Company against Sears, Roebuck or Montgomery & Ward is most likely making a serious mistake.

Using the Partial Payment Plan to Average Down

Stenographer on the Road to Financial Independence Employs Unique Scheme in Her Commitments

By "MISS M. E. C."

FINANCIAL Independence!

Freedom from care and anxiety, freedom from compulsory work, the power to choose the line in life I liked best, the pleasure of being able to help a friend in trouble, the knowledge that if sick I could be properly cared for, better education, freedom to think and speak my own thoughts; in short, the luxury of possessing my own Soul!

Also, and, to be sure, of less importance, but still a genuine joy, to be able to buy the clothes I *liked*, not to be forced to select the colors that would wear best, the longest, and the styles that would not look unfashionable the quickest, but to be able to buy what I fancied.

And to crown all—to be able to take a vacation and see some of the wonders of the World—some of the marvels of America and of the Old World! To cross the ocean, to see for the first time fays of light peep over the edge of the great dark waters, to watch the clouds put on their gorgeous robes of many colored fires to pay obeisance due to his Incomparable Majesty, and to behold him, "with stately step and slow" ascend the mighty throne of his limitless Kingdom amidst a blaze of matchless glory!

Start Was Made with a Splash

Some time ago I started to save money—started with a tremendous splash! This was about the time when the war broke out. I am a stenographer, living at home, and pay a certain amount toward the expenses.

At that time I could save only 50c per week, as my salary was rather small. But after making full inquiries as to the stability of a certain company and finding it satisfactory, I decided to risk my money. So I entered into an arrangement with my brother.

We would buy between us one share of preferred stock in the aforesaid company. The share was to be in my name and I was to pay him back his half, which in due time I did. This share was bought only after long and mature consideration, and I think the point that finally decided the matter, that determined me to break loose from my moorings, and to set sail upon the unknown sea for the undiscovered country was the fact that the company to whose care I was about to commit my "all" had a capital of two hundred million dollars!

I thought I knew the exact feelings of the "Mayflower" when it left England for these far-off shores. I appreciated its mixed feelings of hope and courage and fear. But to my tale.

First Purchase by Partial Payment

The aforesaid share was bought on the partial payment plan of 1/3 down and the balance in 12 monthly instalments. However, I soon paid it and the first dividend arrived. The "Mayflower" had sighted the shore!

I subsequently obtained several advances in salary, saved all I could, put every dividend by. A literary competition was started here for a money prize and I came in second and received a check. This, too, I put into my savings fund.

The aforesaid company then offered some gold bonds on easy terms. I purchased one at $100, one at $102½ and three more at $132, so that my average was around $120. The price went to $163 and I sold. I had had 7% for my money and a profit of about $217. This was either a stroke of genius or perhaps a trick of fickle fortune, I could not exactly say which. But the former idea appealed to me the more strongly. There seemed more *reason* in it, so I decided to adopt it.

PRESENT LOTS HELD

Preferred Shares	Price	Div. Rate	Total Cost	Yield This Year (Actual)
15	66	6%	$990	$90.00
10	36	8	360	40.00
42	10	8	420	33.60
Common Shares				
60	35	15	2,100	315.00
42	5	..	210	25.20
20	3	..	60	25.20*
..	..	..	$4,140	$503.80

*Potential 6% on $10 each.

Well, the war went on, the prices of necessities went up, stocks went down and I continued to save. My line of argument was this: The more money required for necessities, the less for investment and if the dollar was only worth 50c, I must have just twice the number of dollars. In other words a stock paying 5% must come down one-half, so as to pay 10%, for this 10% was only equal to 5% when the dollar was worth 100 cents. This was self-evident. Now as the dollar goes up again, stocks will go up, too.

Scale Purchasing Continued

I continued buying on a falling market until I held 15 of these shares at a pretty good average. Then I started to buy some common, which paid much larger dividends and followed these down and when I thought these had pretty well got to the bottom I sold for cash some of those I had paid for in full and bought three times as many on the partial payment plan of 1/3 down. I held some back so that if I ran short in my monthly payments, I could meet these by again selling for cash as needed. I bought very carefully as prices declined and watched closely for the symptoms of the returning tide, when I purchased as many as I could carry and I came within 2 or 3 per share of the lowest point. The price today is nearly up to my average and will be, I think, by the end of this year a little beyond it. I expect to have all paid for in 6 or 8 months' time.

Taking today's market price, roughly speaking, my present standing is shown in the table herewith. During this time my father used frequently to bring home THE MAGAZINE OF WALL STREET and I became very much interested in it. I was particularly fond of reading your analyses of different companies, and learned to understand the meanings of the terms they used in their balance sheets and the significance and bearing they had on the financial position of various large companies. Point after point that had before been dark to me was made plain. Viz: one in your recent issues, "Refunding First Mortgage" and "First Refunding Mortgage" is a case in point. I began to understand something about "Bulls and Bears, Puts and Calls, Options, Debentures" and bonds of different kinds and the measure of their security value. In fact, your magazine has been for me a splendid education. Now I see it regularly, for my father and a friend who lives in the same flat building jointly subscribe for it. Now I can afford to be quite candid with you about this, for you do not stipulate in your offer that the prizes are confined to subscribers, but state twice that they are to be awarded to "Our Readers," so I am going to tell you exactly what I shall do when your check arrives. I shall add the difference between this amount and the amount of one-third of the price of 5 * * * shares and immediately buy them. This information will, I am sure, afford you a great deal of pleasure, and I am glad to think it should be so, for you deserve it. (No hay de que, Señor!)

I intend to buy all I can between now and April next and after that a little more leisurely (for this nipping and pinching is rather dreary work) and I think in 3 or 4 years I can have $10,000 or $11,000 which, invested at about 12%, will give me about $100 per month, and this for me will be "Financial Independence."

In brief, our subscriber's plan calls for the use of the partial payment method of purchasing stocks in order to permit operations in larger volume than would otherwise be possible and thus averaging down the cost of an investment quickly.

Averaging down is a policy which can be confidently followed only in exceptional cases. The stock selected must represent a company of the highest grade. There must be the assurance that the decline in the stock resulted from general market conditions and not from any fundamental weakness in the company itself.

Since "Miss M. E. C." is a stenographer, since she is "nipping and pinching" to get together money enough for her transactions, we would urge her to exercise the utmost caution in commitments of this kind that she makes. Beyond this, we would advise her to confine her purchases largely to good preferred stocks and bonds. She may be a little longer reaching the goal, but she is far less likely to see all her hopes dashed by some such orgy of common-stock liquidation as the market recently went through.

It Pays to Own Your Own Home

The Rent Payer Enriches the Landlord But the Home Owner Benefits Himself

***By* WILLIAM ARMSTRONG**

WHETHER it is just as cheap to pay rent as to own a home, is a question you will always find debatable between the two classes of dwellers. The argument of the confirmed rentpayer is that he is not tied down to any particular location, he has no taxes to pay, no worries about plumbers and painters and the like, and can "just pick up and leave any old time free of care and responsibility." He is right in that respect, but as he is free of care so it is likely that he has been free with his money.

The rentpayer has, according to his liking, "taken the air," but that is about all he has taken. He has left behind the house and his money with the landlord, and he goes to the next house to repeat the same routine of carefree life, and as another cycle whirls around he has again been another landlord's benefactor.

The persistent rentpayer will never sit down and figure what his rent costs over a period of years. He lives in the present. His idea of a budget is to allow so much for rent every month and the rest is for living expenses. Of course, he saves a little, but if the man is a persistent rentpayer, as a rule, he is not an extremely successful income builder, for one has to figure at every angle if a sizable income is to be amassed.

Why the "Rent Payer" Is at a Disadvantage

As an illustration of just what the rentpayer presents to his landlord over a ten-year period, we have merely to make up the total rent for that time plus the interest. We will say that the rent paid is $50 a month. At the end of ten years the rentpayer will have handed over to his landlord, in payment for a place to sleep, the surprising total of $7,880. It seems quite a sum, just being piled up at a little $50 a month, but that is the total combined with the interest the money would earn during that period.

Having paid over this munificent sum to the landlord, the rentpayer departs, leaving not only his money but the house as well, as the landlord still owns it. The rentpayer, financially, is just where he started, only he is ten years older and his earning expectancy has decreased to just that extent.

Now we will take the man who is always figuring on how he can own his own home. Of course he starts as a rentpayer but he is looking toward the future and with proper determination and fairly good fortune as to escaping ill health and having a reasonable amount of steady work, is well on the way to owning his home.

With the opportunities offered by the building and loan associations and for purchasing a home by monthly payments, he has only to make the start, being careful not to make too extravagant a purchase. It is just as well to purchase or build a modest home, rather than a mansion, for the mansion may come later after the income nest egg has been hatched.

Advantages of Owning Your Home

For the purpose of comparison we are going to put this beginner in a $5,000 home on the assumption that if he rented it he would have to pay what the persistent rentpayer gave to the landlord, $50 per month. But instead of paying a landlord, the homebuyer is taking this money and planting it in his garden to grow for ten years. It has to be very carefully watched and time and again there is worry and nervous strain attached to its preparation for the harvest, but when harvest times arrives the yield is commensurate with the inconvenience attached to the cultivation.

We are assuming that the persistent rentpayer and the homebuyer are living side by side. Each has put in $50 a month, the homebuyer just a little more. The ten-year period is up and the rentpayer moves along, virtually going empty-

Photo, Brown Bros.

A HOME WORTH SAVING FOR

By investing but a little more each month than the rent amounts to, the home-builder becomes a property owner in the future

handed. The homebuyer stays. His harvest is garnered. He has paid out, like the rentpayer, $8,620, but he is by no means empty-handed. He has, via the building loan system, been his own landlord and he has fallen heir to the landlord's increment, so to speak.

He finds he owns free and clear, a property originally worth $5,000 but which has grown in value through the growth of the neighborhood. He has had to pinch a little harder than the rentpayer, as he has had to put by approximately $22 a month extra for taxes, insurance and repairs, but the grind has paid. The rentpayer has spent that extra $22 and so is no better off by reason of having additional spending money.

To sum up, the condition of the two classes of dwellers at the end of ten years is as follows:

Rentpayer—Paid landlord, plus interest $7,880
Balance at end of ten years .... Nothing

Homebuyer—Paid out in interest, taxes, building loan payments, etc., in ten years $8,620
Balance at end of ten years $5,000

The homebuyer also has the equity in the increase in value of his property, if any. The figures show that by not being afraid of the bother of taxes, plumbers, etc., the cost of which did not exceed $22 a month maximum, he has been able to accumulate virtually $5,000 in cash, while the rentpayer accumulated a moving van bill. The homebuyer has been assisted in this result through the fact that as he was paying in his $50 per month to the building loan, he was also reducing his interest account while the rentpayer was losing interest on his payments.

The idea of this article is to give the approximate results of a ten-year period from the two standpoints. The figures would vary in actual practice, but not to any considerable extent, certainly not to exceed $200.

Also in the illustration, we have eliminated the giving to each some original capital, as it would only serve to confuse the figures. The result would be the same if both were given a capital of $1,500, as the interest earnings of the one would be offset by the increased property value accruing to the other. The result would seem to indicate very clearly that it pays to own your own home, in preference to paying rent.

The following table shows the amount paid out in rent for a period of 10 to 30 years, with interest at 6 per cent, compounded semi-annually:

Rent, per month, $25, amounts to—	
In 10 years	$ 3.940.20
15 "	6,982.73
20 "	11.035.65
25 "	16,459.28
30 "	23,171.40
Rent, per month, $30, amounts to—	
In 10 years	$ 4,745.04
15 "	8,378.27
20 "	13,242.78
25 "	19,751.14
30 "	28,460.88
Rent, per month, $50, amounts to—	
In 10 years	$ 7,880.40
15 "	13,965.46
20 "	22,071.30
25 "	32,918.56
30 "	46,342.80
Rent, per month, $75, amounts to—	
In 10 years	$11,820.60
15 "	20,948.19
20 "	33,106.95
25 "	49,377.84
30 "	69,514.20
Rent, per month, $100, amounts to—	
In 10 years	$15,760.80
15 "	27,930.92
20 "	44,142.60
25 "	65,837.12
30 "	92,685.60

Do You Want Fire Insurance?

How Rates Are Determined—The New "Standard Policy"—A Few Precautions to Be Taken

MOST of us know the meaning of fire insurance and the importance of it. We know the terror and tragedy of a conflagration—and we can appreciate how important it is to protect one's home against such an event.

Fire insurance is more generally carried than life insurance, although people must die, and a building may never burn.

Rates Difficult to Determine

Rates are the most difficult thing to arrive at in the whole business of fire insurance. You can pay in a city with good fire protection 25 cents for $100, let us say. In some little town with poor fire protection, the rate on your dwelling would be 50 cents per $100. In the country, where your dwelling is isolated and has no fire protection, you might be required to pay $1 for $100. All this contemplates insurance for a three-year term. A premium for a three-year term is about 2½ times what it is for a one-year term.

Companies must consider the nature of the risk before they can fix the rates. If your house is right next to a garage, they will charge you more. If next to a manufacturing plant that deals extensively in explosives, they will charge you still more.

In Texas, the legislature has undertaken to fix the rates for fire insurance companies in that state. Other states impose certain restrictions, until companies are constantly obliged to consider rates as a real problem.

It is a truth that, in the last analysis all fire losses are borne by the public. The insurance companies are the machinery for distributing these losses. If the losses fell on them, their funds, large as they are, might be exhausted and the service which they render to the public would come to an end. To those who want insurance against loss by fire it is to their advantage that there are so many sound companies ready to accept the business, and who are anxious always to earn and to retain public favor by fair and liberal conduct.

This the companies all aim at. For this reason they seek to come to an agreement as to what rates are to be charged, and by fixing such a penalty to dangerous constructions and substances and processes as to bring about, as far as possible, a lessening of the danger.

Co-Insurance

This is a sample of the direction in which fire insurance companies go as social institutions. The losses of a certain community by fire are chiefly made up of many small fires rather than sweeping conflagrations. The number of fires in which a building is totally destroyed is small. Three-fourths of the loss occur in fires in which less than one-tenth of the value is destroyed. If fires destroy a million dollars' worth of property insured for its full value, and a million's worth more in property insured for one-tenth of its value, the insurers will pay one million dollars upon the first group and more than seven hundred and fifty thousand upon the second. But if all the insurance is taken at the same rate the insurers will have received the premiums ten times as great on the former group as upon the latter.

The New Standard Policy

A contract of fire insurance is a contract of indemnity. The entire contract between the insurer and the insured is the policy.

Before the adoption of the Standard Form of Policy, it was the rule for each company to have its own policy form. As a result the policy was such a maze of legal phraseology that it took a good lawyer to understand it. Consequently the courts were kept busy with fire insurance litigation.

> *QUESTIONS THIS ARTICLE ANSWERS:*
>
> *(1) How and why do rates on fire insurance vary?*
>
> *(2) What is co-insurance?*
>
> *(3) What are the benefits of the new Standard policy?*
>
> *(4) How can your claim be expedited in case of fire?*

The Standard Fire Policy was adopted in New York and went into effect January 1, 1918, and replaced the form established by the law of 1886. The new policy form was established at the instance of the Legislature with the assistance of the Committees on Laws and Legislation of the New York Board of Fire Underwriters. It is the legalized contract in 26 states and serves as a guide and model throughout the whole country.

The new form is more simple—more easily understood by the layman. Also it is more liberal and considers the new and advanced ways of doing business. The old form was such a muddle in point of arrangement that if the insured was patient enough to begin the task of reading it, he had to read all of it or none, and even then he found no relief to his perplexities, and no certainty of either his rights or obligations. For one thing, the new policy is shorter, containing 2,063 words as against 2,441 words contained in the old policy. The mere fact of the new policy being shorter, however, is not so important as is the improvement effected by the arrangement of the new policy into three divisions, combining in the first part all the provisions defining the rights and obligations of the assured before loss, following this by the provisions relating to mortgagee interest, and then setting forth at the end all the provisions which apply after a loss has occurred.

The first part of the policy under this classification comprises 1,159 words and thus the insured, for his information, prior to a loss, is required to read less than half the number of words necessary under the old standard form. If the policy holder is a mortgagee, the second part of the policy should be read, which contains 189 words. It is not necessary for the policy holder to read the balance of the policy, containing 716 words, except in case of a loss, so that he may know what to do after a loss occurs.

A Few Precautions

Decisions of the courts are interesting to follow, as pertaining to the subject of fire insurance, especially those of your own state. In New Hampshire and a few other states, the "valued policy," so called, is in effect which provides that the insured is entitled to collect the amount of the loss on buildings in event of total destruction by fire, no matter what amount of insurance is placed on them—that it is incumbent upon the company not to insure buildings for more than they are worth. In most states the insured cannot collect, in case of loss, more than the actual damage, no matter how much in excess of the value of the property the insurance had been placed.

It is not a good idea to keep your insurance policy in the same building that is covered by the policy.

In insuring furniture or other personal property make a list of the articles and keep it safe from fire. It would be well also to keep your bills showing the cost of the articles filed away with your list so as to be fortified in case of any dispute over the adjustment of a claim.

Keep track of the date of expiration of your policy and pay premiums promptly. Do not try to mislead the agent by concealing information or misstating facts. It is more expensive in the long run to insure for a short period than for a longer term, like three years. In case of loss notify the agent or the company without delay.

If there are any matters relative to fire insurance still not clear to you, write to the Insurance Department of this magazine, enclosing an addressed stamped envelope if you wish a reply by mail.

Some Things You Ought to Know

Simple Explanations of High Sounding Financial Phraseology

OPEN MORTGAGE—Where a company authorizes a mortgage on its property but does not immediately sell or issue all the bonds authorized by stockholders, leaving a portion of the issue in reserve to be issued upon a future occasion, or upon certain conditions, the mortgage is said to be "open." Unissued bonds are not, of course, a liability and no provisions as to fixed charges upon unissued portions are necessary. Yet the fact that a corporation has such bonds in reserve, holds the necessary authority from stockholders to issue them, and may do so at any time, is a factor that may affect the safety of dividends, and can even render the entire open mortgage issue less attractive by reason of the possibility of greater fixed charges to be provided for ultimately.

CLOSED MORTGAGE—Conversely, once all bonds provided for under an authorized issue have been sold and are outstanding, the mortgage is said to be "closed." New money must then be raised, if required, either by a new mortgage or by stock issues, or "notes."

NOTES AND BONDS—There is an important difference between the notes of a corporation and its bonds; and there is also an important resemblance. Like a bond, a note has a fixed date of maturity, and a definite rate of interest, and failure to pay the one or the other entitles the holder to bring the corporation into court, and very often to apply for a receivership.

The noteholder, like the bondholder, is not a partner but a creditor. Shareholders are partners, but their liability is non-existent where their stock is fully "paid-up" or issued as "paid-up" for a good consideration to the corporation. For all ordinary purposes, stockholders are under no liability but they in turn only receive dividends if earned and declared.

Bond and noteholders are not concerned with bad business or good business; receiving a fixed rate of interest in good or bad times, they are entitled to their interest, and payment in full on maturity regardless of business conditions. Bonds are usually issued after a mortgage is passed in favor of trustees, and the bonds represent the holders' share in the mortgage, and any holder can act individually, or with other holders or through a protection committee. Noteholders have no security beyond the legal obligation of the corporation to pay. Like bonds, however, notes have priority over all stocks, but nearly always follow bonds. The general order of priority is, therefore, bonds, notes, preferred stocks, common stocks.

CALLABLE BONDS — Bonds are said to be "callable" when the mortgage under which they are issued makes the agreement between the corporation and future holders that the corporation shall have the right after a certain date, and prior to the maturity of the mortgage, to "call" for payment and cancellation the whole or any part of the issue at a price stated in the agreement. Thus, if a bond due 1950 is callable at 105 from January 1, 1922, after proper notice (about 90 days is the favored period), the holder is liable to receive a "call" from the corporation to deliver his bond to the redemption fund, and receive 105 for it. It may be selling lower or higher, but he would have to surrender it in terms of its issue, or the corporation could cancel it from their books after transferring $1,050 into its redemption fund to take care of it.

Interest would cease after the notice expired, although no other provisions as to its safety or legal right would be impaired.

A high-grade bond that gives a good yield and is of long maturity is preferable without this "callable" feature. These bonds seldom contain the provision, and if they do are not acted upon unless the amount outstanding is small, money very plentiful, and the corporation rather prosperous. It may also require to do some financing that makes it desirable to wipe out an issue —hence the advantage of the "callable" provision to some corporations.

COLLATERAL MORTGAGE BONDS—When a bond issue is secured by depositing with trustees other mortgage bonds, which latter are in turn secured by mortgage, the new issue is a collateral mortgage, because the mortgage consists of "collateral" rather than a direct mortgage on the corporation's property. Corporations, particularly railroads, may have half a dozen different kinds of mortgages on various sections of their properties, some of these mortgages being particularly conservative and strong, and yet it might not be possible to "lift them" conveniently in order to raise a bigger sum. The corporation can in such case use the bonds as collateral for further issues. Or the corporation might pledge other bonds it holds, from third parties or corporations. The value of the collateral mortgage will rather depend on the securities pledged to meet emergencies in the event of default on the former.

CONSOLIDATED MORTGAGE BOND—When a corporation decides to incorporate several different mortgages into one new mortgage, without actually paying off these different mortgages in cash, it can issue a new consolidated mortgage bond for the total amount of the smaller scattered issues, and in this way refund them, either at the same or a higher rate, and very often at one maturity instead of three different maturities. Usually the maturity would be longer, and very often the rate of interest is more attractive in order to encourage the "refunding" process. Very often when a merger takes place of a number of companies, each probably having its own first mortgages outstanding, and some of them having no mortgages at all, the new corporation will issue a new consolidated mortgage, which would not have to be a first mortgage—since only one "first" mortgage in its real sense can exist at any one time.

TEMPORARY AND DEFINITIVE BONDS—When a new issue of bonds becomes necessary, very often the need for money is pressing, and the corporation cannot wait until the engravers have gone through the delicate and lengthy processes of engraving and printing bonds and coupons, which often takes many months. Temporary certificates are usually issued in such event by prominent bankers like J. P. Morgan & Co., Kuhn, Loeb & Co., Blair & Co., the National City Company, the Guaranty Trust Company, who have obligated themselves to see that holders get their final certificates when ready. These temporary certificates are in reality receipts for the money, giving interest and maturity dates, the name and address of the corporation, and the number of issue. They are usually "negotiable" and can be bought and sold like any other security. However, they have no coupons attached, and must be presented to the issuing bankers for that purpose, or registered in the name of the holder. Bonds are always engraved together with their coupons with extra care, and all matters of record properly signed and numbered because they represent big money, permanent investments by holders, and proper safeguards against forgery are necessary because of the negotiability of coupon bonds.

NEGOTIABILITY — The quality possessed by a security that it passes from hand to hand, with or without a signature, and gives the new owner the right to pass it on without formalities. In this class are coupon bonds, currency, government bills and banknotes, coin, and even stock certificates indorsed "in blank" and the indorser's signature guaranteed by a reliable banker, or member of the New York Stock Exchange. It is such documents that should be kept in strong boxes, because their loss and negotiability makes it difficult to trace them, and they can pass through twenty hands before any news of the loss is generally known. Keeping all record numbers might help to trace the loss, but it is not the whole remedy. The vault and strong box in a bank or trust company is the solution.

Public Utilities

Bonds and Stocks

Consumers Power Company

Big Demands Balanced by Huge Latent Resources

The Turn for the Better in the Operating Conditions of Consumers Power Company Took Place Two Years Ago, and Now the Demand for Its Services Is So Tremendous That It Must Soon Begin to Develop Its Latent Resources

By J. L. CHEATHAM

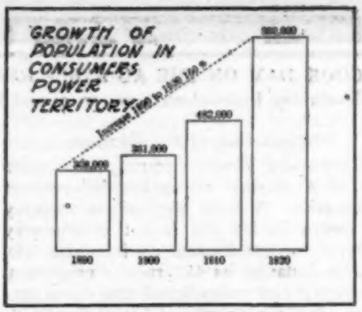
THE Consumers Power Company operates electric light, power and gas plants in the eastern, southern, south central and western parts of the lower peninsula of Michigan. Its territory represents more than 24,000 square miles of the richest agricultural and most progressive industrial area in all of that region.

Territory Served

This company has, for many years, been a prime factor in the development and growth of the vast territory it serves. Each of the ten large cities served is a center of industrial and commercial prosperity, and in addition to these larger cities dependent upon it, there are more than 70 other cities and towns. This rapid industrial growth has steadily increased the demand for service, and the gross business of the company has shown a constant increase for a number of years. The present problem is not to find new business, but to find ways and means of taking care of new business which this growing region is constantly bringing to it.

It will be seen, therefore, that all of the operating conditions underlying this concern are fundamental and that its steady progress and development is not only assured, but is inevitable. The company simply must go forward in order to keep abreast of its territory and the demands made upon it.

The chief feature about the great diversity of industries for which Michigan is noted is that they are essential industries and 2,000 of them depend almost wholly upon Consumers Power Company for their gas, electric power and light. A



better idea of the diversified character of the various lines of business which contribute to the company's income is indicated by the fact that its sales of electric energy are divided as follows: 16% is derived from the Motor Car and Allied Industries, 8% for Boiler and Machine Shops, 27% for other power uses, 10% for Electric Railway Lines, and the remaining 39% for municipal, residential and commercial lighting of all kinds.

Michigan is not only the world's greatest automobile state, but is the leading industrial State of the Union in proportion to its population, and is fourth disregarding the population. Practically surrounded by lakes and rivers, Michigan is naturally equipped to engage extensively in lake commerce and shipbuilding. It has communication with seven other states and with the province of Ontario, Canada. The population thus reached is estimated to be over 30,000,000.

Vast Waterpower Resources

There are more than 5,000 interior lakes, mainly of glacial origin, and several of the larger streams fed by these lakes have enormous quantities of available waterpower; in fact, the hydro-electric resources of this section are practically inexhaustible.

Consumers Power Company virtually controls the water power supplies of lower Michigan and the development of these energy-producing resources is necessary to maintain the state's supremacy along its industrial lines.

While practically controlling this waterpower, the company has thus far developed only about one-third of the amount available. Its present electric generating

CAPITALIZATION AND EARNINGS STATEMENTS
CONSUMERS POWER COMPANY
(Including Michigan Light Company Operations)

CAPITALIZATION
As of October 31, 1920.

	Outstanding
Stock—	
Preferred Stock 6% Cumulative	$12,916,200
Preferred Stock 7% Cumulative	208,000
Common Stock	14,425,900
Bonds—	
First and Refunding 5s—1936	22,254,000
General and Refunding Series "A" 7—1930	5,000,000
General and Refunding Series "B" 7—1935	2,500,000
Serial Gold Debenture 7—1922/27	3,000,000
Underlying Bonds	5,308,500

All of the Preferred Stock and Bonds issued since the creation of the Michigan Public Utilities Commission have been authorized by it.

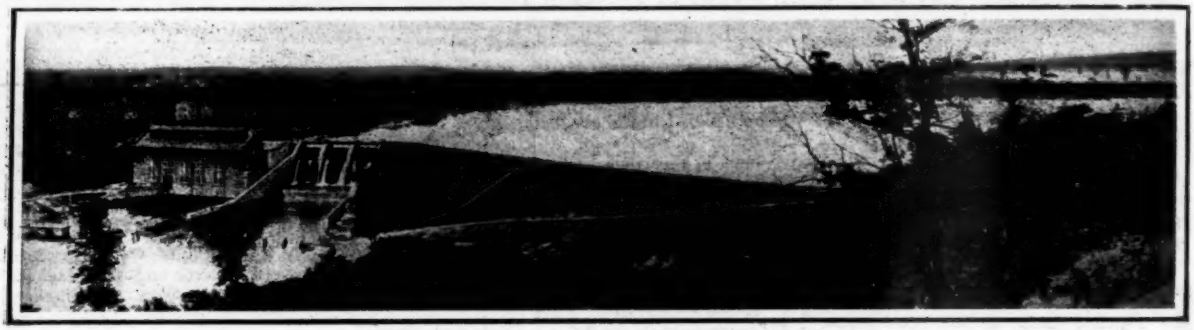
Earnings and Expenses
(For the 12 months ending Oct. 31st)

	1914	1915	1916	1917	1918	1919	1920
Gross Earnings	$4,953,279	$5,337,303	$6,297,572	$7,674,066	$9,206,792	$11,013,985	$13,831,654
Operating Expenses and Taxes	2,489,783	2,495,111	3,222,974	4,632,312	6,093,962	6,983,439	9,586,745
Net Earnings	2,463,595	2,842,191	3,074,598	3,041,753	3,113,831	4,030,546	4,244,909
Fixed Charges	1,008,090	1,019,233	1,071,186	1,071,521	1,473,742	1,735,037	2,082,495
Balance available for replacements, depreciation and dividends	1,455,504	1,822,957	2,003,709	1,970,232	1,640,089	2,295,511	2,214,413
Dividends on Preferred Stock	473,040	530,040	587,065	714,000	763,390	760,971	776,622

capacity totals 202,000 horsepower, one-half of which is hydro-electric and the other steam. The rivers in this region are unusually well adapted to the most economical development of hydro-electric energy. The flow of the streams is relatively uniform and thus the waste of power is comparatively small, making the waterpower installations very efficient.

In addition to the waterpower facilities already developed, Consumers Power owns 60,000 acres of land on which are located twenty-eight dam sites yet undeveloped, with a total waterpower capacity of approximately 200,000 horsepower and a total fall of 880 feet.

One of the most severe problems confronting the public utility today is the problem of getting coal. That problem would be doubly difficult for this company if it were not for the fact that more than half its electric energy is developed from hydraulic resources. Were this additional 200,000 horsepower developed, there would result an equivalent saving of about 750,000 tons of coal a year.



THE COOK DAM ON THE AU SABLE RIVER

One of the many important sites for developing hydro-electric power, owned by the Consumers Power Company

Increasing Demand for Service

There is going to be no let-down in the demand for power in Michigan. Rather this demand is going to keep on increasing because the state's development as a great industrial region is bound to proceed. But in order to make this progress possible, the company's resources must be developed. Already Consumers Power is serving 2,000 essential industries employing 170,000 workers with annual sales of over $1,500,000,000. Yet there lies stored in the energy of its rivers over 200,000 horsepower for the development of other billions of industrial products in Michigan.

Demands by manufacturers for electric power from large central stations are growing by leaps and bounds. These demands are increasing so fast that the volume of business of this company in electric power and industrial gas has more than doubled in the last five years.

There are at least two principal reasons why manufacturing concerns are steadily turning to large power companies for their electric and gas energy.

The first reason is the high cost of fuel and materials, which has played havoc with the relatively small private power plant. Manufacturing concerns recognize the advantages in economy and efficiency possible in the large central station that are impossible in the small plant. The main thing with the manufacturer is reliable service and he knows that in this respect his own individual plant simply cannot compare with the large central stations.

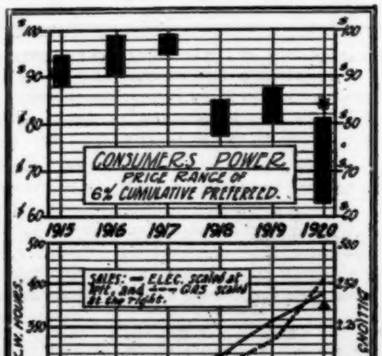
The second reason is the manufacturer's desire to be relieved of the power plant and the consequent investment problem in order to devote his full energies and resources to the business of manufacturing.

One of the large electric light and power companies in the East recently showed that, during the preceding year, its increase in this type of business caused the abandonment of 32 small steam plants and gas engine plants by manufacturers who found it more profitable to turn over their power business to the large central stations who are better equipped.

Organization of the Company

Consumers Power Company was made up of a number of smaller independent companies. A large part of its property is owned in fee and is not in any way subject to termination of franchise life, as, for instance, its waterpower properties, developed and undeveloped, the steam stations, and the private rights-of-way with transmission lines, while current is distributed in the various municipalities under satisfactory, long-term franchises.

Its great electric transmission system united the large and small cities and towns and gives the smallest place the advantages of the same high-tension skill in equipment and arrangement as the largest city could obtain. This system makes possible economies, efficiency and reliability, which could not be brought to small isolated communities if their plants were independent or disassociated. It is only by such compounding of resources, uniting of efforts and the steady exchange of the best experience in the utility world that it is possible to give to the consuming public, as well as to the investing public, the largest return from the operation of public utilities and their securities. It is by this means only, that this company is able to hold down its manufacturing cost to the lowest possible level and to reflect this economy in the lowest available rate of service to its consumers. The significance of this is notably great in times like the present when all costs are abnormally high and when it requires all that genius, skill and experience can do to cope with current conditions.



It was this unification that made possible the development of the waterpower resources in Michigan. There were the waterpower sites isolated in the northern part of the territory served by the company, and there they would have been left undeveloped to this day but for the facilities made possible by this method of construction and operation.

Sources of Revenue

While the largest source of revenue is from the electric properties, the company has other interests. Its gas production is large. There are seven great gas plants owned and operated by the company. Every one of them supplies large manufacturing concerns with industrial gas, besides furnishing gas to homes for domestic purposes. The demand for industrial gas is increasing each year and is being used in large volume.

Michigan has a remarkable system of interurban as well as urban electric railways, and Consumers Power Company supplies the power for practically all such railways in the southern peninsula of the state outside of Detroit and its immediate environs. It supplies power to 775 miles of such railways, of which 634 miles represent the systems of the Michigan Railroad Co. and the Michigan United Railways Co., which are related to Consumers Power in ownership (all being controlled by the Commonwealth Power Railway & Light Co.). These railway companies are the two great systems of that region and their interurban lines bind together the greater number of municipalities served by the Consumers Power Company.

(Continued on page 277)

Mining

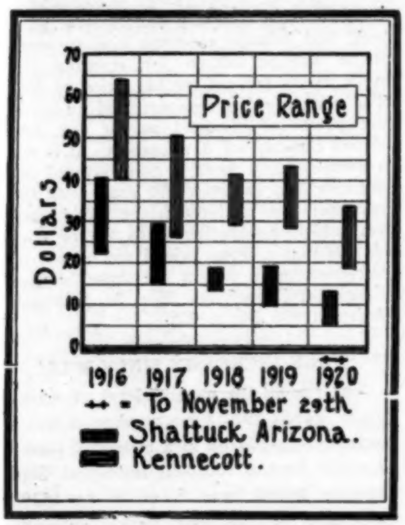
Kennecott Copper Corp. **_Shattuck Arizona Copper Co._**

Copper Shares Nearing the Turning Point

Heavy and Continuous Liquidation in These Issues for Some Time Past—Future of Metal Market, However, Is Still Obscure

By **JOHN MORROW**

THE copper industry has had practically two years of poor business, with the exception of a short burst of activity in the latter part of 1919, and the question is now being asked with increasing frequency whether the time is not near at hand when copper stocks may be bought or accumulated for the long pull. The preponderance of judgment favors an affirmative reply to the question, and it would appear that the next major move



will be upward. Liquidation has been slow but steady, and the copper stocks for some time past have not attracted a great deal of speculative attention, although during the break of November they were weak in sympathy with the whole industrial list.

Copper metal is selling at this writing for less than 14 cents a pound, and the demand is small. The ten-year pre-war average selling price was about 16⅔ cents, and the decline since the first of 1920 has been from around the 20-cent level.

At the end of 1919 the accumulation of surplus metal was estimated at 1,000,000,000 pounds, and the task of the producers during 1920 has been to liquidate this accumulation and also to keep down current production. Earnings of the mining companies, as a group, have not been large this year, some of them not even earning their current dividend rates. At the present time there is considerable fear that dividend reductions or suspensions may have to follow the period of dulness.

This latter possibility, however, does not invalidate the opinion that the copper industry is at or near the bottom, and that the copper stocks ought to be considered by potential purchasers of speculative stocks. (All mining shares are more or less speculative. The very nature of their business is speculative.) Of course there are many copper stocks to be considered, and two of the interesting companies are Kennecott and Shattuck Arizona.

KENNECOTT COPPER

Kennecott is one of the best known of the copper companies, and one which has held a prominent place in stock market movements since its incorporation in 1915. The company was financed by an exceptionally strong group, which included J. P. Morgan & Co., Kuhn, Loeb & Co. and the Messrs. Guggenheim. This in itself was enough to grant the property a big share of attention. Also, the mines of the operating company, located in Alaska, were conceded to be of exceedingly rich copper content. Because they were so rich in grade of ore, it has been frequently contended that the life of the property must be limited. But the reasons for interest in Kennecott do not begin and end with the Alaska properties. Kennecott owns 38% of the outstanding stock of the Utah Copper Co., and 98% of the stock of the Braden Copper Co. The mines of the last named are located in Chile, and are believed to contain great potential possibilities.

Therefore, Kennecott must be regarded from two angles; as an operating company, and as a holding company. In the long run it is possible that the investments of the company, outside of its own mines, may be of the greater importance, and to hold the future of the corporation.

The Alaska Mines

First to consider Kennecott as an operating company. The table will show the total operating results of the past few years and especial note should be taken of the relation between net operating profit, representing operations at the Alaska mines, and other income representing dividends received on investments in other companies. It will be noted that for the past three years other income has been over 50% as large as the net operating profit. But more about that later.

The accompanying summarization in Table II will show the amount of copper produced by Kennecott, and the average price at which sold. It is impracticable to figure exact operating or production costs. The greatest output was in 1916 when over 100,000,000 pounds were produced. From that time production has been smaller until in 1919 it was only a little more than a third of the 1916 total. Naturally this decrease was reflected in earnings.

In 1916 the company earned over $7 a share on the 2,787,078 shares of stock outstanding from the operation of its own properties, irrespective of other income. But in 1919 net operating profit was only $2,512,395, or less than $1 a share on the stock outstanding. There has been no official intimation that Kennecott's ore bodies are nearing exhaustion, and in fact early in 1920 President Birch was authority for the statement that there was more ore in sight than was originally figured on, and that the ore looked as good as it did five years ago.

While the production costs of Kennecott are not exactly stated, it may be approximately figured that in 1919 they were between 9 and 10 cents a pound. In view of the fact that the present selling price of copper is said to be below production costs in the case of many companies, this relatively low cost of the Kennecott property is of considerable interest.

What the Kennecott company will produce in 1920 cannot now be stated, but it

TABLE I—EARNINGS RECORD OF KENNECOTT COPPER

Year Dec. 31	Gross Revenue from Operations	Net Operating Profit	Other Income	Earned Per Share
1916	$23,752,857	$22,460,519	$6,662,089	$8.92
1917	16,926,105	11,817,196	7,466,265	4.14
1918	15,080,987	9,421,292	5,240,980	2.56
1919	5,603,910	2,512,395	1,425,986	0.16

TABLE II—PRODUCTION OF KENNECOTT

	Copper Produced (Pounds)	Copper Sold (Pounds)	Average Selling Price per lb.
1916	108,372,785	*..........	25.8c
1917	78,211,429	56,904,050	27.0c
1918	60,994,757	58,634,196	24.4c
1919	38,577,418	26,750,463	18.8c

*Not given.

TABLE III—EARNINGS OF SHATTUCK ARIZONA

Dec. 31	Sales	Operating Profits	Net Income	Earnings Per Share
1915	$2,340,530	$1,146,810	$1,142,063	$3.26
1916	5,142,331	3,055,420	3,039,076	8.68
1917	6,009,989	1,435,333	713,041	2.04
1918	2,609,452	726,023	243,468	0.70
1919	1,017,359	*74,292	*186,500	

* Deficit.

is known, or rather reported, that large sales of copper made in the last part of 1919 did not reflect themselves in that year's income account, but will be included this year. This, of course, will serve to keep up the returns, and may serve as a partial offset to the substantial slowing up in business that became manifest during the summer, and which is continuing. The main point, however, is not the ability of Kennecott to earn the dividend this year in determining whether or not the shares are worth intrinsically their present selling price.

Kennecott's Investments

Now a consideration of the investments. Kennecott owned as of Dec. 31, 1919, 616,504 shares of Utah Copper, which represents about 38% of the outstanding total. Upon these shares dividends of $6 a year are being paid. This was the amount paid in 1919, but Kennecott included in its income statement only $739,805 as dividends from Utah, and credited investment account $2,959,219, representing dividends paid by the Utah Copper Company, but classed as capital distributions. The net effect of this was to reduce the amount at which Kennecott carries the Utah investment by that sum, and to make the income account smaller than, in effect, it was. This method of accounting explains why earnings in 1919 were apparently only 16 cents a share on Kennecott stock. If all of the Utah dividends received, had been credited to income account Kennecott would more than have earned its dividends of $2 a share.

Utah earned about $5 a share in 1919, but this year promises to earn less than that. In the nine months ended Sept. 30 the company earned $3.45 a share, but in the third quarter earnings were only 31 cents a share. Whether or not Utah's policy will be to continue the dividend rate of $6 cannot be answered definitely, but it will be seen that dividend declarations have an important bearing upon Kennecott. One thing may be said, however, that Utah is one of the best properties of its kind, and it may be expected to give satisfactory results once the tide in the copper industry turns.

Kennecott's investment in Utah shares was carried on the Dec. 31, 1919, balance sheet at about $77 a share. The present market price of Utah stock is about $51 a share, or $26 a share under the book price on Kennecott's balance sheet.

More interesting perhaps than the holdings in Utah, is Kennecott's ownership of Braden. Braden has out $12,953,530 stock, preceded by $16,477,000 6% bonds. Shares are $5 par, or in number 2,590,706. Kennecott's 2,565,976 shares are carried on the proprietary company's balance sheet at $39,477,175 or about $15 a share. In the four years ended Dec. 31, 1919, Braden earned an operating surplus in every year except 1919, when a deficit of $1,500,000 was reported, but last year is not a fair test of any copper company's earning power. As of Dec. 31, 1919, the company showed a total earned surplus of $3,604,727. The balance sheet also showed or indicated that Kennecott was owed $8,100,000, presumably against advances made for development work. As it stands now, the parent company is not getting any direct return on its ownership of Braden, but the future seems to be there.

As of December 31, 1919, Braden ore reserves were calculated at 174,600,585 tons of positive ore of a 2.45% grade, and 92,000,000 tons of probable ore of 1.91% grade.

It is estimated that Braden has a life of 70 years and Utah 28 years, with Kennecott's life difficult to estimate.

Conclusions

Kennecott has outstanding $15,000,000 7% gold bonds, 1930, which appear to be a pretty good business man's risk, while the Braden 6% bonds also deserve a fair to good rating. The Kennecott 7's are secured by 500,000 shares Utah Copper, which at 50 have a value of $25,000,000.

Kennecott shares selling below 20 appear to be in buying territory for a purchaser who is willing to exercise some patience. At 19 the total stock has a market value of about $53,000,000, and it ought to be possible for the company to earn at least 10 to 12% upon that valuation in normal years of copper industry activity.

SHATTUCK ARIZONA

Shattuck Arizona Copper Company is one of the smaller producers which has been operating since 1904, but whose shares did not attract much attention marketwise in the New York markets until 1916. Previous to that the stock found its readiest market in Boston. Originally capital from the Northwest was responsible for the development of the company. Prominent among the company's directorate is L. W. Hill, the Great Northern railroad chairman, and son of the late James J. Hill. While, of course, not a private enterprise, still Shattuck Arizona represents the faith of a small group of men in its possibilities, and in its values.

The property of the company is located in the Warren District of Arizona where development work was begun in 1904. Up until a year or two ago, probably not more than one-half of the acreage had been developed, and it is claimed that the undeveloped half contains perhaps greater promise than the ground developed. Particularly in silver-lead ores is the undeveloped half said to be rich.

Like most of the copper producers, Shattuck found 1916 the year of greatest prosperity, and then earned $8.68 a share on the 350,000 shares of stock outstanding, which have a par value of $10. The table will trace the trend of earnings, and will indicate that earning power perhaps lacks something in the way of stability. Nevertheless, the company has a fair dividend record. Beginning in 1910, dividends have been paid in every year except 1912, when earnings slumped seriously, but showed a promising ability to recover. However, early in 1920 the management found it the better policy to suspend dividend disbursements, and the last payment, one of 25 cents a share, was made in January of the present year. The largest amount paid in any one year was $5 in 1917. The total dividend distributions up until the beginning of 1920 were $20 a share, and as of Dec. 31, 1919, the balance sheet showed a surplus from operations of $557,671, and a property surplus of $3,839,000.

It was not altogether the decline in business that led up to the suspension of dividends in the early part of 1920. An underground fire, breaking out in the early spring of 1919, forced a suspension of operation until early fall, with the result that the earnings and production of last year suffered considerably, and were not wholly a reflection of the changed conditions in the metal markets. Table III will show the production of the company for the past few years, and illustrate the effect of the fire last year.

The company has not done well this year. Earnings for the nine months ended Sept. 30, indicate that the surplus for that period was only about $9,000, and it appears doubtful whether the company will show anything at all earned for the common stock this year. Although production of copper, lead and silver will be above the totals for 1919, they will be far below the production of the years in which the company was able to earn a satisfactory balance for its outstanding shares, whose book value at the end of 1919 was in the neighborhood of $22 a share.

Conclusions

Because the company had had such ill-luck, and because earnings look so puny is no specific reason for ignoring the stock at its present market price of 5½. The company has demonstrated an earning power of dividend paying size, has shown capacity for development. It is not a prospect, and there is good ground for thinking that earnings will grow with the resumption of activity in the metal market, which assumption leads to the conclusion that a cheap priced speculation of attractive merit lies in the shares now.—Kennecott Copper, vol. 26, p. 26; Shattuck Arizona, vol. 24, p. 965.

WAGE INCREASES SINCE WAR

The rise in the general level of wages up to March, 1920, for a number of major industries, as shown in a statement issued recently by the National Industrial Conference board, was from 80 to 163%, measured by full time weekly earnings. This estimate is based on the board's most recent investigation of changes in wages since early in the war. This investigation supplements a previous one covering changes in wages up to March, 1919, and shows that, measured by full time weekly earnings, there has been since about the end of the war a rise in the wage level of between 24 and 75%.

These estimates are based upon returns from 12 major industries, including metal, silk, hosiery and knit goods, wool, cotton, leather, rubber, furniture, boots and shoes, printing and publishing, chemical and paper manufacturing.

The investigation showed that the increases in hourly earnings during this period were in all cases considerably greater than those in full time weekly earnings, because of reductions in hours of work schedules. The range of increases in average hourly earnings was from 96 to 182%.—*Iron Trade Review.*

Petroleum

Pure Oil Co.

Spectacular Growth of Pure Oil Company

From a Public Utility Without Very Large Holdings to One of the Six Biggest Oil Properties in the United States—An Analysis of Its Financial Position

By ALEX MOSS

TO emerge from the obscurity which surrounded it as a public utility with comparatively small holdings, and to gain for itself a position as one of the six largest corporations in the petroleum industry of the United States has been the enviable lot of the Pure Oil Company, which, prior to July 1, 1920, was known as the Ohio Cities Gas Co. To the casual observer the almost mushroom growth of the Pure Oil Company will be deemed nothing less than spectacular. To the student of contemporary industrial history the facts underlying the expansion of the company can be summed up in the far-sightedness of its executives and the soundness of its financial foundation.

In fact, the history of the company serves to dissipate the traditional notion that oil is a gamble and the business a "game." The Pure Oil Company, incorporated in Ohio with an authorized capital of $190,000,000, of which $59,704,025 has been issued, represents a practical disbelief in that theory. Conservatism and conservation are the twin spirits that dominate the development and management of the company.

The present company, under its old name or names (the title has twice been changed since its original organization), did not start out to be an oil company. The first unit of the organization was the Columbus Gas and Fuel Company, Columbus, Ohio, of which Beman G. Dawes was asked to assume executive control and management in August, 1913. As this was a gas company without adequate supplies, Mr. Dawes' first official responsibility was to locate and develop a gas supply. It was his plan to get gas, not alone sufficient for Columbus, but for other Ohio cities that were at that time faced with the problem of an inadequate gas supply. The Columbus Production Company was formed to work out Mr. Dawes' ideas, and the Federal Gas and Fuel Company, which shared with the Columbus Gas and Fuel Company the gas business of Columbus, was acquired in furtherance of the general plan.

Through the Columbus Production Company in Ohio and the Boone Realty Company, formed in West Virginia, 500,000 acres of leaseholds and fee lands were acquired in Ohio and West Virginia. The Ohio Cities Gas Company was then incorporated, April 21, 1914, with an authorized capital of $20,000,000, as a holding and operating company, to take over these properties. Later the Ohio Cities company acquired the Springfield Gas Company, with an authorized capital of $610,000, which had a monopoly of the gas business of Springfield, Ohio, and the Dayton Gas Company, with an authorized capital of $2,572,500, which controlled the entire gas business at Dayton, Ohio.

Oil Production

With the acquisition of the Columbus Gas and Fuel Company the Ohio Cities Gas Company came into possession of valuable oil production on lands owned by the former. It was not until later, however, that its rapidly increasing oil production made it plain that Ohio Cities would be primarily an oil company and not a public utility.

On its West Virginia lands in Boone County, the company brought in its first well, December 18, 1914, and obtained a flow of 214 barrels in the initial 24 hours. This was in the Cabin Creek, or northeast end of its property and opened up a remarkable pool of the highest grade crude that is to be found anywhere on this continent, the product commanding a premium of 77c. a barrel over the Pennsylvania grade. The Pure Oil holdings in the Cabin Creek field constitute a most important asset to the company. The oil from this field produces large quantities of high grade gasoline and the finest cylinder stock on the market.

There are over 60,000 acres in the Cabin Creek property, which takes in practically the entire field. This area has been developed as a complete and self-contained unit, and includes at the present time over 200 producing wells; a complete refinery of 4,000 barrels daily capacity; a wax plant and a salt plant of 1,000 barrels capacity at Cabin Creek Junction; a casinghead gasoline plant of 1,000 barrels daily capacity at Dawes, W. Va.; 20 miles of narrow-gauge railroad for transporting materials over the property, and extensive pipe lines and storage facilities. In addition, the company has built two small towns for its employes, and has furnished electric lights and water and established ice plants.

In 1917, Dr. I. C. White, state geologist of West Virginia, made a report on the Ohio Cities properties as then defined and estimated the value of its production at approximately $75,000,000. On October 9, 1920, the company brought in a 400-barrel well nearly two miles in advance of the production area defined at the time of Dr. White's report, showing an extension of the producing area of nearly 100 per cent. Just before last Thanksgiving, another producing well was completed over two miles still further in advance of previous development. In view of these proven locations, the producing area is over two and a half times that defined by Dr. White in 1917.

In November, 1916, the company purchased the oil and gas producing properties in the state of Oklahoma known as the Gunsberg and Foreman property, consisting of approximately 26,500 acres of oil territory, 20,000 acres of which was undeveloped, located generally in the Nowata, Cushing and Healdton fields, and including a large gasoline plant at Cushing. These plants have a daily refining capacity of 11,000 barrels and a tank capacity of 1,400,000 barrels. The property, which also includes pipe lines and tank cars, cost $8,400,000.

In June, 1917, the company purchased the Pure Oil Company of New Jersey, the property including the Marcus Hook Refinery, located on the Delaware River, near Philadelphia, with a capacity of 5,000 barrels daily, 60 tank cars, five tankers, storage capacity for 1,000,000 barrels, distributing stations in Brooklyn, Harlem and Yonkers, New York; Newark, New Jersey; Bethlehem, Parsons and Haverford, Pennsylvania, and Wilmington, Delaware. The company also owned 260 miles of main pipe lines, 1,200 miles of gathering lines, and telephone and telegraph lines, pumping stations and storage facilities in Ohio, West Virginia and Pennsylvania.

The Pure Oil Producing Company was acquired at this time with nearly 50,000 acres of producing property, including 1,200 wells in Ohio, West Virginia and Pennsylvania. The Pure Oil Operating Company was then bought with over 40,000 acres of oil territory, including approximately 600 wells in Illinois, Louisiana, Texas and Mississippi. The Quaker Oil and Gas Company, with 84,000 acres of oil territory and large production in Oklahoma and Kansas,

was also purchased at this time. The Pure Oil Pipe Line Company, the Producers and Refiners Pipe Line Company and the United States Pipe Line Company, were all bought, these properties giving the company nearly 1,000 miles of additional pipe line transportation from Eastern Ohio, West Virginia and Western Pennsylvania fields to Marcus Hook. The United States Pipe Line Company is said to own the only pipe line in the world for the transportation of refined oils, this line running from Oil City to Marcus Hook. These properties cost approximately $25,000,000 and placed the company at once among the most formidable producing, refining and marketing oil companies of the country. It also furnished the more descriptive and significant name of the corporation, for in July, 1920, the name Ohio Cities Gas Company was discontinued and the name Pure Oil Company adopted.

TABLE I.—FIVE YEARS' CONSOLIDATED INCOME ACCOUNT OF PURE OIL COMPANY.

	March 31, 1920	March 31, 1919	March 31, 1918	March 31, 1917	March 31, 1916
Gross earnings	54,304,091	47,422,590	39,920,134	5,740,047	3,209,698
Operating expense, depreciation and taxes	43,530,541	37,423,319	29,122,793	1,999,580	1,943,276
Fixed charges	324,953	463,304	477,850	129,632	123,786
Balance	10,448,597	9,536,567	10,328,491	3,610,835	1,142,636
Dividends paid	7,859,164	7,822,719	6,902,873	1,516,359	762,665
Surplus	2,589,433	1,713,848	3,425,618	2,094,476	379,961

With the purchase of these and other properties, including the Cornplanter Refinery Company, Warren, Pa., together with construction and development, such as the Heath Refinery at Heath, Ohio, the Pure Oil Company had property, plant and equipment, on October 1, 1920, valued at $100,247,742.

The physical property now includes 1,000,000 acres of leasehold and fee lands in Ohio, West Virginia, Kentucky, Illinois, Kansas, Oklahoma, Mississippi, Louisiana, Texas and New Mexico; 5,000 producing oil wells; 7 casinghead gasoline plants; 1,000 barrel daily capacity salt plant; 6 refineries with 30,000 barrels daily capacity; 1,674 tank cars; 45 distributing stations and 30 drive-in stations.

The Pure Oil Company recently acquired 95% of the stock of Union des Petroles d'Oklahoma, which is one of the few old premier French companies listed on the Paris Bourse, and the dominant interest in the Oklahoma Producing and Refining Corporation.

Another valuable interest now owned by Pure Oil is the entire capital stock of $2,000,000 of the Moore Oil Refining Co., Cincinnati, Ohio, The latter owns and operates a refinery and compounding plant at Cincinnati and has distributing stations throughout Ohio and Indiana.

Within the last several weeks the Pure Oil Company, together with Belgian bankers, formed the Purfina Company, of Antwerp, Belgium, with 20,000,000 francs capital paid in, to do compounding and distributing of Pure Oil products in Belgium, Holland and the Rhine Valley.

The company's crude production at present runs approximately to the value of $2,000,000 a month. This could be very largely increased in practically every field in which Pure Oil operates, but its well defined policy involves the operation of each unit with the sole purpose in view of maintaining stable production, consistent with its refinery capacity and the conservation of its oil. During the four years which the Cabin Creek refinery has been in operation, production has been maintained regularly at a level which has kept the plant running at steady maximum capacity.

A Well Balanced Property

From the foregoing it can readily be seen that Pure Oil has an evenly balanced property. Its organization is highly efficient and enterprising, and its oil fields and refineries are favorably situated for economic production and the refining of crude oil and the marketing of the company's products. The business and properties are constantly being expanded. The operating company has efficiently arranged departments taking crude oil from its wells and distributing it through its own pipe lines largely to its own refineries. After refining, the oil is delivered by its own tank cars and barges to its distributing stations, and thence to the consumer. The acquisition by purchase of the extensive distributing organizations, mentioned earlier in this article, has secured for the company the most advantageous facilities for handling its products direct to the consumer. The company is independent of outside producers for crude oil on which to operate its refineries, but is in position to take, and does take, crude oil from outside sources where it is profitable to do so. Thus Pure Oil is able to hold down its own development and stave off depletion of its own properties until such time as oil supplies from independents fall off.

TABLE II.—CONSOLIDATED QUARTERLY INCOME ACCOUNT PURE OIL COMPANY.

	Oct. 1, 1920		July 1, 1920
Gross earnings	$20,172,676		$19,476,421
Cost and operating expenses	14,752,359		13,288,889
Taxes	450,000		556,068
Interest on bonds and notes	214,783		69,952
Discount on serial notes	77,472		88,970
Depreciation	207,757		204,078
Balance, surplus	4,470,305		5,303,524
Preferred dividend	191,415		174,713
Common dividend, cash 2%	961,975	4%	1,837,500
Common dividend, stock 2%	961,975		......
Balance, surplus	2,487,260		3,291,310

TABLE III—CONSOLIDATED BALANCE SHEET, PURE OIL COMPANY, OCTOBER 1, 1920.

Assets.		Liabilities.	
Property, plant and equipment	$100,247,742	Common stock outstanding	$47,020,725
Other investments	10,610,224	Preferred stock outstanding	12,683,300
Stock in treasury	997,900	Preferred, Moore Oil Refining Co.	800,000
Cash	3,970,917	Columbus Gas Company, bonds	1,326,000
Accounts receivable	4,211,196	Springfield Gas Company, bonds	400,000
Notes and trade acceptances, receivable	515,342	Dayton Gas Company, bonds	1,378,000
U. S. Government securities	194,515	Serial gold notes	9,980,000
Stocks of finished oils	9,433,537	Accounts and notes payable	4,222,323
Stocks of crude oils	3,805,763	Accrued taxes and interest	2,112,750
Materials and supplies	2,447,933	Customer deposits	292,264
Deferred charges	1,504,062	Surplus	57,680,683
	$137,939,152		$137,939,152

Pure Oil has not sought spectacular developments where production is high for a brief time, or where the quality of the oil is of the lower grades, but has largely confined its operation to more certain areas of reliable volume. The results of this policy may be gathered from the comparative consolidated income account for the five years of the company's existence, shown in Table I.

In the five years of its development, Pure Oil Company has required a total of new financing aggregating $47,951,075, and in the same period has paid back to its stockholders $29,070,670. This return is equal to 66% and is the more interesting when it is considered that there is included in the amount of new financing all bond and note issues of the company, while the total amount paid back does not include interest on such issues.

The fact that 250 oil companies for which figures are available, including the Standard group and the larger independents, in the eight-year period from 1912 to date, paid back to stockholders $906,262,272, equal to 51%, on the $1,784,841,351 total new financing for the period, makes the showing of Pure Oil rather unusual. This is even more remarkable when it is considered that Pure Oil had its inception and development in the period of its five-year showing, while the group of 250 companies includes 108 which were well developed at the beginning of the eight-year period of their showing.

Outlook for Stocks

In the five fiscal years ended March 31, 1920, the company shows an average annual net applicable to its stocks of $7,013,425. Preferred dividend requirements have averaged $529,735, leaving an average of $6,483,690 applicable to the common stock. The average outstanding common stock is $28,829,790, so that the company's results show a standard earning rate of 22½% for its five years.

However, Pure Oil's earnings for the six months of the current fiscal year indicate a rate approximately 100% better than this standard. This is shown

(Continued on page 273)

Are There Any Other Nations Wishing Loans?

By **H. I. PHILLIPS**

MADRID, Dec. 10.—Encouraged by the success of other countries borrowing money from the United States, Spain took up the matter of a long time loan today. The longer the better.

It is not generally appreciated to what extent Spain was devastated by the world war. Spain didn't take any actual part in the war, to be sure, but it spent a tremendous sum trying to explain its position satisfactorily to both sides. Spain also kept the world safe for bull fighters while the other nations were otherwise engaged.

King Alfonso today announced he would like to borrow a few millions from America and give his I. O. U. in return. But that is what Spain gave Columbus, it will be recalled, and he didn't have enough money in his old age to maintain an egg for demonstration purposes. The exact needs of Spain are not definitely placed but it is known that Alfonso requires a dozen more yachts and the country at least that number of additional bulls for the 1921 fighting season.

* * *

BERLIN, Dec. 13.—Prominent Germans are talking of negotiating for a loan from America. The Ebert government is considering a touch for $8 in American money, which is equivalent to four trips of the Vaterland filled with German marks.

The money is needed for repairs and alterations. There is a widespread demand for a revision of Hindenburg's lines. Hindenburg's lines, as any student of form and anatomy will say, were never very classical, but since the war the marshal's figure has reached such extremes that no tailor will cater to him. It is estimated that it would take fully $2 to make him look presentable.

Rosner's typewriter was practicaly wrecked during the war and the government needs money to have it put in running order again. Quite a substantial sum is also needed for painting "War Lord" off the 3,456 uniforms of the ex-kaiser and crochetting the inscription "Doorman" in its place.

* * *

ISLAND OF YAP, Dec. 14.—The cabinet here held a meeting, boiled a couple of missionaries, voted to change the fall styles in women's leaves and passed a resolution asking the United States to finance a loan. All Yappanese currency is in stone. The country is very rocky and as all the loose stones have been spent in riotous living Yap requests that America float a loan of about 2,000 pounds of blasting powder and some rock breaking tools.

* * *

ROME, Italy, Dec. 16.—The Italian government would like to borrow a few dollars while the borrowing is good. The American consul was asked today if he thought America could let Italy have 50,000 lires. "I don't think there are that many liars in America," said the consul, "but if there are you can have 'em."

* * *

TOKIO, Japan, Dec. 17.—Premier Cococola today stated that he was to ask the Japanese diet to request a loan from America. The Japanese diet, which consists of three members, rice, soup and fish, will probably agree. Japan wants the money to build eight new battleships for the Invasion Rumor Fleet.

"We don't need the ships," explained the premier, "but unless we build them it will cause hard feeling among American editors who average two full pages of plate matter a month warning the Americans that Japan intends to declare war the following Tuesday afternoon."

* * *

BOSTON, Dec. 18.—Ponzi announced today that he planned to ask the American government to extend him a loan of a billion or so. "There is no alternative," he declared. "America will have to extend me the money or let me go to prison."

HAVANA, Cuba, Dec. 20.—The Liberal government recently elected here hasn't enough money to be liberal with. The country was able to keep a fair share of the profits before the advent of the American bartender, but when the grand total is counted up on Saturday night these times it is found that there is very little left for the management. A loan from America seems the only solution.

"Cuba is in a bad way," said the president today. "We need new bar fixtures throughout the island and a type of brass rail that will withstand the tropical sun. What can we give a banking syndicate for security? Well, what would you say to the bromo seltzer and cracked ice privilege?"

It was learned also that $50,000 worth of damage was done in the election day riots by Cuban marksmen shooting at pedestrians in the street and hitting furniture in various attics.

* * *

VERA CRUZ, Mexico, Dec. 21.—The Mexican government is seeking a large loan from American bankers. The present president, having but one arm, has not been able to get half as much out of the country as his predecessors who had two full-capacity mittens. The Mexican standing army hasn't been paid in months and it is harder than ever to keep it standing. The soldiers also want a raise. They have been getting $1.19 a month and want $1.20. They say that unless they get it they won't fight. Previous experience leads the president to fear that if they DO get it they won't fight.

The president indicated that if America would come across with a few million dollars he might see that the country got that salute it demanded five years ago. "We were short of salutes at that time," a government official explained, "but we now have a plentiful supply if the price is right."

* * *

Any other nations wishing to make a slight touch are urged now or forever to hold their peace.

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

COTTON

Some Cheerful Factors

WHILE there have been some wild swings in cotton prices since the last time of writing, there has been no change at all comparable with the change which took place in the market between the beginning of August and the end of October. Cotton is now selling at about 15½ cents, where it has been selling for some time, suggesting a state of more or less complete deflation. It is noticeable, too, that the official Government crop report, putting the cotton yield at 12,987,000 bales, one of the biggest crops in years, had no bearish effect. Many experienced people think that cotton is selling near its bottom.

THE TREND

RAILROADS—Slump in traffic affects earnings.

STEEL—Independents hit by falling orders.

OIL—Possible cut in crude prices.

PAPER—Lower prices in sight.

MACHINERY—Activity falling off.

ELECT. EQUIPMENT—Activity falling off.

SUGAR—Pressure continues.

COTTON—Practically sold out.

TEXTILES—Still weak; improvement expected.

Compared with some other commodities, cotton seems to be selling out of line. Thus in 1914, a bale of cotton would buy 50 bushels of wheat or 17 tons of soft coal. Now it will only buy 35 bushels of wheat or 12 tons of coal, notwithstanding that wheat and coal have also had quite a drop. Cotton growers, no doubt, have been hit more than growers of almost any other agricultural product.

Cotton is selling below the cost of production, though this does not mean that every grower is losing money, as in some cases cotton is grown profitably below 15 cents. Nevertheless, the average production cost is higher than this, so that most growers may be said to be losing money at the present price of the product.

The big crop, of course, does not help matters any although it is reported that in some districts, growers refuse to pick the product. This, of course, reduces the net yield. Nevertheless the yield is big enough to cause some doubt as to an important rise, considering the present low state of demand. Cotton consumers still hesitate to buy, but it is noticeable that in some sections there has been a revival of manufacturing activity of very recent date.

In general, it would seem that improvement cannot be far off. One thing which inclines us to this opinion is the 22½% textile wage cut announced recently by some very important manufacturers. Also the 65% drop in cotton prices would mean that the commodity is cheap enough to attract buying when confidence is restored. The present lack of confidence is doubtless the biggest obstacle to a restoration of activities. The retailer, more than anyone else, is responsible for this, but manufacturers are beginning to take matters into their own hands by selling direct to the consumer, thus eliminating the jobber and the retailer. When this has gone far enough, the retailer and other obstructing interests may wake up.

The biggest reduction sales in history are looked for in January, and this concerted effort to bring prices where they are attractive to the ultimate consumer should clear shelves to a degree. At this point there ought to be some buying of cotton by the manufacturers. Also Europe must not be forgotten. She can use cotton.

There is some talk of a reduction in planting for next year's crop. This might help the grower somewhat, but it is believed that the anticipated trade revival will come in time to obviate the necessity of this drastic action.

Not that all is serene in the cotton and textile situation. There is plenty of trouble and casualties are growing. Also there are more people out of work than working. The 22½% wage cut may not be accepted gracefully by the operatives. Nevertheless, there is reason to believe that the outlook is better than it has been for some time, and very probably the second month in the new year will see the beginning of the long desired turn.

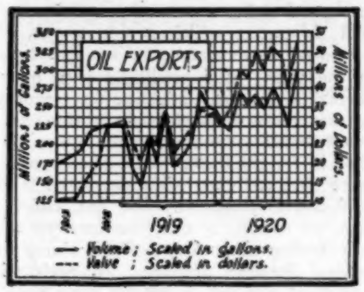
OIL

Will Crude Prices Drop?

WHILE petroleum prices generally show stronger resistance than other products to the unfavorable conditions now affecting practically all other lines of industry, there is no reason to believe that this power of resistance can be permanently maintained. It is very difficult, however, to foretell how soon the adjustment to new conditions will come on account of the complexity of factors bearing on the petroleum industry.

The situation is highly mixed. Thus exports are very strong and are gaining

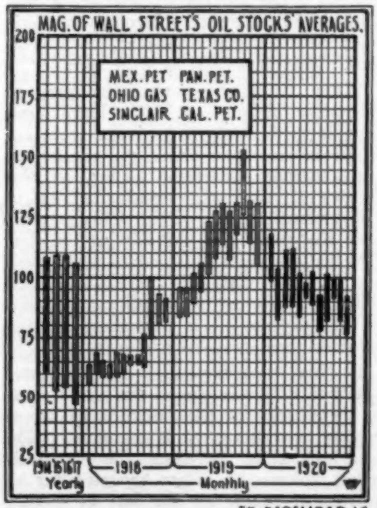
in momentum (see graph) while domestic demand shows signs of diminishing. Again, most refined products vary from dull to weak, while crude oil prices, as a whole, are at their highest levels. Under the circumstances, it is impossible to



arrive at any general conclusion that will apply equally to all departments of the industry.

One fact, however, stands out and that is that most refined products are generally lower, as compared with prices of a few months ago. With crude staying up, the refiner is in an unfavorable situation. He is confronted with the necessity of selling his product on the basis of the present low schedules, at the same time that he is still paying top prices for crude. Obviously either refined products must advance or crude come down. The possibilities are rather in favor of the latter.

This possibility is most clearly illustrated by conditions in the Gulf Coast district, where crude oil has already been cut from $3 to $2.50 a barrel. In this section about 115,000 barrels is being produced a day. Of this amount only 55,000 barrels is being used for refinery purposes, leaving a balance of about 60,000 barrels a day to compete in the open market for fuel oil. This latter product, however, is now quoted, Midcontinent, at $1.75@2 a barrel, suggesting that Gulf Coast crude will get down to some such figure, when it gets actively into competition with the



TO DECEMBER 16.

fuel oil market. In West Texas the situation is somewhat similar and storage tanks are rapidly being filled to capacity, indicating the possibility for a complicated situation if the present high rate of production is maintained.

Domestic demand is declining somewhat on account of the smaller seasonal requirements and the partial suspension of industrial activities, formerly necessitating the use of oil. At the same time, production continues at a very high rate. According to semi-official figures, the daily average gross production of oil in the United States for the week ended Dec. 4 was 1,311,915 barrels as compared with 1,308,635 barrels for the previous week. This is at a rate equivalent to the highest of the year, and considering the falling off in demand contains significant possibilities, pointing to a temporary overproduction. Indeed, it is the opinion of well-qualified sources that present demand, even including the high export demand, is hardly sufficient to absorb the current rate of production plus imports.

In connection with the probable trend of crude oil prices, it is logical to emphasize the present tendency toward deflation, typical of practically all industries. Fundamentally, this should mean lower operating costs for the oil industry which in turn should result in lower prices for crude. But aside from this basic argument, there is the fact that the immediate situation with regard to refined oil products is none too reassuring and that the refiners, therefore, will probably exert pressure to bring crude oil costs down. That this would eventually have the effect of cutting into production and therefore causing an under-supply does not fit into the immediate picture which is only concerned with the nearby outlook.

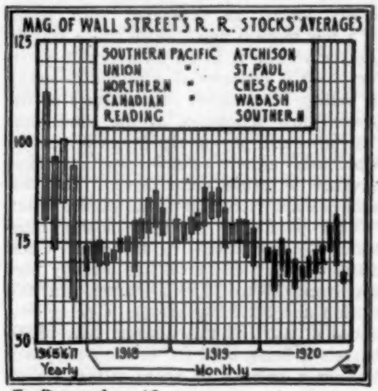
Buyers exhibit caution in making commitments. This is a tendency particularly noticeable with regard to fuel oil and lubricants which are still soft. Gasolene holds up very well, although in certain sections of the country there have been minor price reductions. It is too early to tell what effect the drop in motor car production will have on the gasolene industry. In any case, the winter season is against the industry and the consensus of opinion is that prices will head downward. This belief is supported by the fact that gasolene production continues at a phenomenally high level notwithstanding the already apparent declining demand. Among the smaller companies there are many who will prefer to sell out their surplus stocks rather than tie up their money over the winter months. This will probably herald the opening gun in a price-cutting campaign.

RAILROADS

Freight Falls Off

THERE is nothing theoretical any longer about the effect of the industrial slump and agricultural tie-up on the railroads. The decline in freight movement is now a matter of figures. In the week ended November 27, freight cars moved amounted to 797,673, as compared with the maximum of 1,010,051 cars, which was reached in the week ended October 23. This is a decrease of 26%. Upon analysis, this drop is really not quite as serious as it looks. A better idea of the real situation is gained by comparing present car movements with those of corresponding weeks in 1919 and 1918, when the figures were 739,197 and 735,628, respectively. Thus it would appear that the total traffic is really larger than for the corresponding week in previous years. As a matter of fact, this is not quite true because a good share of present freight movements consists of coal shipments, which are in excess of the usual movements even for this time of the year. Had conditions been more normal in the coal industry, there would not have been so much traffic in this commodity, and consequently the gross decline in freight traffic would have become more apparent even when compared with 1919 and 1918 figures. The final conclusion, of course, is that the carriers are now feeling their share of the slump in general business activities, although the full effect will not be felt for some weeks yet.

Under the present conditions, earnings will be affected, of course. The extent of this, however, will depend entirely on



To December 16.

how conditions in the business and agricultural world will improve. If, as a great many authorities think, there will be a definite turn at the end of the winter months, it can be expected that traffic will begin to improve before earnings are seriously affected by the declining traffic volume. This, however, is to be seen.

While the carriers are attempting to economize by way of letting large numbers of their employes go, even those engaged in the repair shops, the results are not altogether beneficial. Thus, on November 15, the roads reported a total of 174,189 bad cars, or 7.7%. This is more than the number of bad cars at the time the carriers were returned to their owners, when the total was 7%. It is a question as to how far the roads can retrench at the expense of a permanent impairment of their physical properties.

In this connection, it is to be pointed out that 1920 was one of the worst years in the history of the railroads as far as buying new equipment is concerned. The attached table indicates the relatively small volume of orders reported for all classes of roads for the first 11 months of the year. Only 1,656 locomotives were ordered, which is about 2% of the existing locomotives. Ordinarily there would be 4% to 5% replacements. In three months of the year, not a single passenger car was ordered. The only relatively satisfactory orders were those for freight cars,

and even these are falling off rapidly.

There is no doubt that the railroads need equipment, and they cannot hope to postpone buying indefinitely without impairing their efficiency. The difficulty, of course, is a financial one. The railroads either haven't the money or are unwilling to spend at present high prices. This represents a very big problem ahead for the carriers.

TOTAL DOMESTIC ORDERS

	Locomotives	Freight Cars	Passenger Cars
January ...	32	2,220	107
February ...	293	6,898	35
March	228	3,669	148
April	433	10,322	328
May	197	7,402	57
June	65	3,757	..
July	95	5,468	60
August	14	6,156	..
September ..	151	2,786	70
October	93	5,048	9
November ..	55	2,250	..
Total	1,656	65,070	723

October earnings statements have not measured up to expectations, but these figures are of little value, anyway, as there are many complicating factors at work. It will take more than a month or two to show what the new rates mean to the railroads, as a whole. In the meantime, one may as well recognize the practical certainty that earnings will decline for at least the winter months.

PAPER

Foreign Competition in Sight

UP to very recently, the American and Canadian pulp and paper makers have had things pretty much their own way. The absence of foreign competition, owing to war conditions, cause a scarcity over here, and, correspondingly, very high prices. Conditions are rapidly changing, however, and it is reported that foreign makers, principally from the Scandinavian countries and Germany, will soon be ready to make shipments here in large quantities. In fact, it is understood that some large American consumers have already arranged for imports and that they have contracted with the Scandinavian and German firms for some important shipments.

Imports are likely to play a rather large part in the domestic situation, especially with regard to newsprint. Germany, for example, according to a German Cabinet official, is able to ship here at the rate of 50,000 to 100,000 tons annually for the next three years. There are no figures available to show how much the Scandinavian countries can send. Inasmuch as these countries have always been big exporters, it is to be presumed that they can at least equal the maximum of possible German shipments. In other words, we can expect newsprint from abroad to be dumped here at the minimum rate of 150,000 tons annually. This is not a very large amount compared to North American production, but it is, nevertheless, a factor to take into consideration in connection with a possible drop in prices.

At present the situation in the paper industry is rather confused. This is par-

ticularly true of newsprint. The spot market shows a tendency toward weakness, but this is not so much due to a falling off in demand as it is to the desire of placating some of the national legislators who threaten a Federal inquiry.

The drop in spot prices, however, is of no special significance, as only 10% to 15% of the total output is sold on spot. The rest goes to contract. Contract prices still remain very high, although one of the largest producers has recently cut the contract price from 5 to 4 cents a pound on newsprint, in rolls, in carload lots. A clear idea as to the probable future course of contract for newsprint is afforded by the very evident weakness in certain grades of pulpwood. Thus rough Maine pulpwood has receded from $21 to about $13 a cord. Peeled pulpwood has dropped from $28 to $21 a cord.

It is hardly probable that newsprint prices for contracts will drop much within the next few months. Foreign competition is not yet important enough to make any appreciable difference in the situation. Before the end of next year, however, there is good reason to believe that there will be some heavy cuts in both spot and contract prices. This impression is strengthened by the now very probable increase in imports, and also by the probable falling off in advertising, due to the changed economic situation. This latter factor, of course, would cut down space required and would, therefore, have an effect on reducing demand, with consequent recessions in price.

Summarizing briefly, we do not expect any important change to take place in the paper situation, with especial emphasis on newsprint, in the near future. After the first quarter of the new year, however, the tendency should be downward.

STEEL

Production Drops

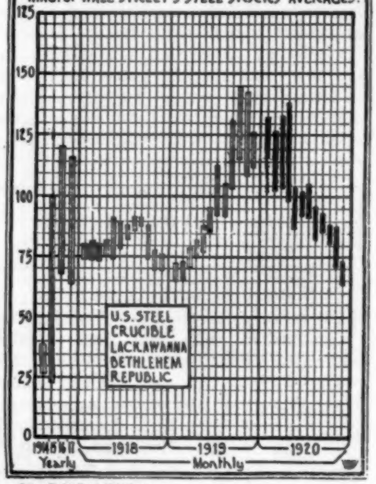
THE reduction of independent steel prices to meet Steel Corporation levels has not stimulated buying, and it is now apparent that there will be no broad buying movement for at least several months. Buying is at a low ebb, which is illustrated by the fact that even steel bars, which can generally be sold when demand for other products is dead, cannot be sold. One favorable effect of the recent price reductions has been to discourage cancellations, consumers being persuaded to let their orders stay by arranging for prices on the new basis.

Operating conditions reflect the present status of the industry. In November, 44 blast furnaces were blown out, while 11 were blown in, a net loss of 33. This, however, does not indicate the real state of affairs, as more blast furnaces are scheduled to go out of operation. The decline in production is apparent from November figures. Thus in November the pig iron output amounted to 2,934,908 tons, as compared with 3,292,597 tons for the previous month. With the exception of the April output, this was the smallest tonnage of the year. Nevertheless, it is considerably above the average monthly production for 1919.

Steel ingot production shows a very decided falling off. November output amounted to 2,638,670 tons, a decline of about 14% from the October figure. There is no question that December production will be even smaller.

The pig iron market is absolutely stagnant, with the only activity, such as it is, in resales. At present writing, basic pig iron is available at $31 a ton, marking a decline of about 40% within the past three months. Considering that this is a buyer's market, we would not be surprised to see even lower quotations for this commodity.

Exports have been going forward in surprisingly large volume. This is not very significant, however, as these shipments are the fulfillment of orders placed in previous months. It is worth noticing that these shipments were accepted abroad notwithstanding the unfavorable exchange rates. This is offset by the fact that some cancellations are now beginning to appear, which probably reflects a growing tendency among foreign buyers. In any case, it is not expected that steel exports can be maintained at anything like their recent volumes.



TO DECEMBER 1st

Some of the independent makers are embarrassed by the high freight rates. It is well known that the leading interest is in a favored position in this respect, as it owns a number of roads over which it can haul the raw products to its plants. As a whole, this advantage is not enjoyed by the independent interests. This tends to localize the markets for these producers, whereas the leading interest, with its lower operating costs, can afford to send its products to greater distances without raising its prices, such as the independent producers are required to do. Naturally, in a competitive period the independents feel the disadvantage of this condition rather keenly. Obviously some measure of relief would be afforded by a cut in freight rates, but this is such a remote possibility that it is practically a foregone conclusion that the independents will have to suffer under present disadvantages until the general situation improves.

Aside from the rail outlook, which gives considerable promise for next year, there

is reason to believe that there will be increased activity in the building line. There have been, recently, some large structural orders for buildings about to be put up in the East, and the drop in many building materials suggests that there will be renewed building operations next year. Aside from these two fields, however, speaking generally, the steel industry faces quite a drastic period of adjustment from which, so far as can be discerned from present indications, there will be no considerable relief for some time.

MACHINERY AND ELECTRICAL EQUIPMENT

Curtailment of Production

THE current of business in the machinery and electrical goods markets indicates that most interests are preparing themselves for a period of smaller activity. There are a number of signs to show that a change has occurred in these heretofore prosperous industries. Thus the General Electric Company is gradually curtailing operations, the Edison (Thomas A.) Affiliated Industries has announced further reductions in its working force, and several other important companies, among them the National Cash Register Company, report cuts in their labor forces.

The situation with regard to General Electric is fairly typical of the rest of the electrical goods industry. Thus there are about 18,000 employed at the Schenectady plants as compared with 26,000 employed in 1918. It is understood that this company will make further reductions, bringing the number employed to about half that of two years ago.

The machinery makers seem to be in no better position, although several companies report unfilled orders considerably in excess of the amount reported last year at this time. Manufacturers of tractors do not look for as big a volume of business next year as they enjoyed in 1920, on account of agricultural conditions, although this may be offset by export orders, for which there is good prospect next year. In general, however, it may be said that the machinery making industry is affected by the uncertain outlook for business, as there is little inducement to buy machinery under present conditions.

Hardware business is not quite as satisfactory as a few weeks ago, and certainly much less than that of last year. It is expected, however, that the recent reductions in steel prices will exert some effect toward stimulating activity, thereby keeping the industry from falling into a complete slump.

It is possible that the potential decline in domestic business may at least be partially offset by activity in foreign markets, especially in Europe, where there is a great shortage of all sorts of machinery and electrical equipment. Reports from all sources agree, that unusual openings are available in practically all the world's markets and that American manufacturers have a good chance of capturing a good share of the world's trade. This will depend, however, on the credit arrangements

our manufacturers are willing or can make with foreign buyers.

Regarded broadly, it is impossible to expect the machinery and electrical goods industry to wholly escape the world-wide industrial depression. These industries have been among the last to feel the effects of the change in the situation, and it is, therefore, obvious that they will not be the first to emerge from the present slump. However, the general economic situation may improve in time, so that it is possible for these industries to escape the full brunt of depression which has submerged less fortunate industries.

SUGAR

At Lowest Prices of Year

IT is becoming increasingly apparent that the world is well stocked with sugar. Thus in England, where up to very recently the government exercised a rigorous rationing policy, the householder may buy all the sugar he requires. In that country the retail price has dropped from 24 cents a pound to 12 cents. Stocks in Cuba amount to 220,000 tons, and while this is somewhat less than expected, it will suffice for normal export purposes. Reports are beginning to come in concerning estimates of next year's crop in Hawaii and Java. In both these places, production will exceed last year's output.

Domestic candy manufacturers have been especially hit by the slump in sugar, and the consumer is now beginning to ask why he does not benefit from the 70% drop in sugar prices. Factories are planning on further curtailment of production. In some cases complete shutdowns have been reported. This situation is aggravated by the almost complete cessation of exports to Europe. While the candy interests have not yet lowered the price of their products, it is hardly likely that they can refrain from doing so for long. In any case, this is absolutely certain to happen as soon as the stocks of sugar purchased by the larger manufacturers at top prices have been exhausted. Under present conditions, with sugar selling at less than one-third of its price of a few months ago, there will be no justification for the manufacturers to charge high prices, when this sugar goes into the manufacture of new candy products.

Of late, heavy pressure from all quarters has depressed raw sugar to its lowest level this year. Raw sugar futures are now obtainable at about 4 to 4¾ cents, depending on the nearness of the month. This compares with a price of about 20 cents a pound last summer, giving a good idea as to the decline in this commodity.

Cuban conditions are unfavorable and an extension of the moratorium up to next May is now looked for. At the same time, it is important to note that the Cuban producers have lost no time in deflating labor. Average labor costs are now $2.50 per diem as compared with peak costs of $7.50 per diem. Obviously this development is not without meaning so far as future production costs are concerned.

Cuban producers, as a whole, show little disposition to let go of their product at present low prices. Here and there, however, one may be found who will dispose of some quantities. Inevitably, all producers will find it necessary to sell their stocks at whatever price can be obtained in the market, as they cannot hold the balance of this crop in too close proximity with next year's crop. In other words, there is still a considerable amount of the raw product remaining to be sold. Consumers are quite aware of this situation and are holding off purchases, feeling that they have the advantage.

Refiners take cognizance of the new situation by reducing the price of the refined product. Important interests quote 8¼ to 8½ cents, as compared with the recent price of 10 cents, sales being on the basis of raw sugars bought at higher prices. With the raw commodity down to less than 5 cents, however, there is every reason to believe that refined sugar will be soon quoted at a price somewhat lower than that now prevailing. This will probably be at a price of 7½ to 8 cents.

Speaking generally, while unfavorable factors as described above continue to bear heavily against the industry, it is obvious, considering the drop in sugar, from 20 cents to about 5 cents, that deflation has practically run its course. It has taken over six weeks for raw sugar to drop from 6 cents to below 5 cents, which illustrates the increasing resistance which is now exhibiting itself in the sugar market. While the market itself is rather weak, prices vary only in comparatively small fluctuations. It is not impossible, of course, that sugar may decline somewhat further, but the very low price at which the raw commodity is now quoted tends to prohibit any important decline from this time on.

EARNINGS OF NATIONAL BANKS

Earnings of national banks for the twelve months ended with June, totaling $1,109,116,000, broke all previous records for bank profits, according to figures compiled and announced by the Comptroller of the Currency. The gross earnings of the banks for the same period last year amounted to $515,624,000 in 1914, and the earnings this year in comparison is an increase for the seven years of $593,492,000, or 115%. For the twelve months of this year the net earnings of the banks amounted to $282,083,000, which compares with $149,270,000 in 1914, or an increase of $132,813,000, or nearly 90%.

MISTAKES AND COME-BACKS

When the plumber makes a mistake he charges twice for it.

When a lawyer makes a mistake he has a chance to try the case all over again.

When a carpenter makes a mistake it's what he expected.

When a doctor makes a mistake he buries it.

When a judge makes a mistake it becomes a law of the land.

When a preacher makes a mistake no one knows the difference.

But when an editor makes a mistake—good night.—*The Country Press.*

ANSWERS TO INQUIRIES

(*Continued from page 248*)

and our judgment has been vindicated. We placed Delatour Beverage in rather bad company in a former article, but our reference was rather to market action than to the legitimacy of the corporation sponsoring this well-known brand of ginger-ale.

Delatour is a $500,000 enterprise, of which a little over half represents good-will. The popularity of the brand (established 1898 and label adopted 1901) justifies a substantial value for good-will. Current liabilities are a trifle under $30,000, while accounts payable are well balanced by cash and receivables. For the last fiscal year net sales were over $300,000—which is an excellent turnover for the size of the enterprise. The gross income was over $80,000, while $25,000 was disbursed in dividends.

Prohibition has come to stay, apparently. The corporation is old established and well entrenched, so that there is no reason to suppose that it will not continue to make progress, and be able to withstand competition.

CHILE COPPER

Too Low at 8

Chile Copper recently declined abruptly from above 12 to 7¾, and from the way the selling came, we should judge that it was of the necessitous kind. Back of the transactions one could clearly discern a forced order to sell a large block "at the market." Very naturally when a big buying demand is absent, or no orders are placed with the specialist, a heavy selling order to sell at best price obtainable must cause a wide open break—as happened in this case.

Recent sales at 7¾ mark the lowest levels to which the stock fell in the history of the company, the previous low price being 11¼, established in 1917. The stock sold at 39¼ in 1916, and averaged between 20 and 25 in the years 1918-1920. There is no apparent justification for present low prices.

We are not informed as to the identity of the seller; various rumors seem to point to Boston, and one publication has it that it was for the account of an operator identified with the promotion of the company who received some very cheap stock originally—and who does not lose even now.

The company is producing approximately 100,000,000 lbs. of copper annually at this time at a working cost of about 12½ cents a pound gross, and about 9½ cents net. A serious factor has been the decline in quality of ore which was originally assumed to produce about 2% and well over 30 pounds to the ton. Recent showings have been less than 1.5% and under 25 pounds of copper per ton. On the other hand, the company is taking advantage of the depreciation in Chilean exchange, and working costs for labor have come down considerably.

The copper trade is still stagnant, and the metal not moving rapidly to buyers, but in spite of the clouded outlook, we consider Chile around 8 a speculative bargain for the long pull holder. It has outstanding $15,000,000 in collateral trust convertible 7s due 1923 (that will surely be taken care of), and nearly $35,000,000 in Series "A" 6s due 1932. These are convertible into stock at $25 and $35 a share respectively. Although the conversion privilege does not look attractive just now, we consider the bonds very sound and attractive. The 1923 issue at 90 is an excellent short term issue yielding about 11%. to maturity.

U. S. STEAMSHIP—U. S. TRANSPORT

Basis of Exchange and Prospects

These two companies are about to merge into a new corporation to be known as the United Ship Corporation. The basis of exchange will be 5 shares of old stock for 4 shares of the new, which gives United Ship Corporation an apparent value of 1⅜ based on the exchange.

We see no reason why the exchange should not be made, as the possibility favors a better market for the new stock rather than the old. At the same time, we are not wildly enthusiastic about any of the "Ship" issues under present conditions. Many things have been promised for U. S. Steamship stockholders in the past few years, and hopeful claims have been made as to values and possibilities that we have not always been able to reconcile, either with market performance nor earnings statements.

However, the stock has its exuberant moments at times, and anyone with a long purse and plenty of patience who is already committed might do worse than just see the matter through. One consolation is, the stock cannot go much lower, and it might conceivably do better. The ever-present speculative risk in this case might be worth while for the slight chance of selling out (and staying out) to better advantage.

A material change would have to come into the affairs of the corporation before we would be inclined to change our views.

ROYAL DUTCH

Its Recent Decline Has No Special Significance

The recent break in Royal Dutch, a fall of 9 points being registered in a single market session, had no special significance beyond the general weakness in the oil group, and the selling coming along at the bottom of a big decline in the general market. Although this stock is largely held in Holland, England and France, its broadest and principal market is now on the New York Stock Exchange, where also (incidentally) the most money is. Conditions are pretty acute in Europe, and judging from the facts that come to hand daily, we have a good deal to be thankful for.

Our ability to absorb securities on a scale down, and the inducement for foreigners to sell any "American" securities for American money is very strong at

times, because the depreciation in price is in a measure made up by the superior value of the dollar. We do not regard the recent abrupt fall in the price of the shares as meaning anything of the least importance to the company, whose dominant position, and value of shares is unchanged, although quoted values are now much lower.

We consider Royal Dutch and Shell Transport at present levels as among the best of our international securities that are destined to do better and sell higher eventually.

UNITED RETAIL STORES

An Attractive Dividend Payer with Possibilities

Although United Retail Stores is really a holding corporation, it is chartered to engage in manufacturing businesses, and also to engage in wholesale and retail business in various kinds of merchandise. At present it is in reality a chain-stores enterprise virtually controlling the United Cigar Stores and Montgomery-Ward through ownership of majority interests in their common stocks. The company also sponsored and founded the United Retail Candy Stores, organized in July, 1919. The two former are businesses that are old and well established and need no introduction; they were successful from the start, and at the time of the entry of the present company were at the height of their career.

The candy end of the business is still in the making, several large stores having been opened, and others being added to as fast as favorable leases can be secured in suitable locations. In a few years' time, "Retail Candy" should be as well known as "Lofts" if advertising, a good product, reasonable prices and aggressive management means anything.

Retail Stores has 629,207 shares of no par value outstanding out of 1,000,000 authorized on which dividends thus far total $3 cash plus 5% in stock yearly, or nominally 8%. At 54 the cash return is 5.6%. To this must be added the value of the stock dividend, and the full percentage is only indicated according to the selling price of the stock, from time to time. Assuming only 50 for the stock this extra return would be equal to 2½% extra, a total return of over 8%.

But the stock will not always sell in the 50s. It has sold above 100 and a fair average level to view it as worth about 75 at least, is not unreasonable under existing conditions. This materially increases the value of the stock dividends, and the higher the stock goes, the better the dividend, even if no greater rate be declared in the near future.

Earnings have been at the rate of about $9,000,000 annually available for dividends, or about $9 a share even when all stock is outstanding. The cash rate of $3 is conservative, to say the least. Quite recently it was announced that United Cigar Stores will henceforth pay 1½% monthly, or 18% annually on its stock, which large dividends will accrue to United Retail Stores on its large holdings. This strengthens the present dividend and creates further possibilities.

This common stock looks exceptionally attractive around 53-54.

LOW PRICED RAILS

Some Have Important Speculative Possibilities

Although many of the low-priced railroads are very far removed from the roadbed, so far as stability and possible dividends are concerned, yet in strong markets for this group public interest will center in them regardless of the value of some of them, and the remoteness of their ever being in a position to "carry" themselves. While very few can be confidently recommended upon investment grounds just now, for the benefit of those who are interested in them we give a list of a few that seem better fortified than the great majority. So far as possible, we quote them in the order of our preference, based upon recent prices: St. Louis Southwestern, St. Louis-San Francisco, Western Pacific, Gulf Mobile & Northern, Colorado & Southern, Kansas City Southern.

We now consider St. Louis-San Francisco adjustment and income bonds very attractive after the recent decline in them, and believe they will again advance to their former levels in good time. Meantime the interest on them is well secured, and the coupons will in all probability continue to be paid.

DIVIDEND PAYING STOCKS

Some Medium-Priced Issues That Seem Cheap

The decline in the market has placed some dividend-paying issues at a price where, even in the event of small reductions, that are not anticipated in the cases named, opportunities for income and profit are in evidence. Among the better grade in this class may be mentioned, Allis-Chalmers at 29, paying $4 to yield 13.8%, Ajax Rubber at 27, paying $4 to yield 14.8%, American Smelting around 40, paying $4 to yield 11.8%. Cerro de Pasco at 27, yields 14.8%, Columbia Graphophone at 10½, paying $1 (plus stock dividends) to yield 9.5%, Computing Tabulating Recording at 34, paying $4 to yield 11.8%, Worthington Pump at 40, paying $6 to yield 15% (looks too good to last, however), and Virginia-Carolina Chemical at 30, paying $4 to yield 13.3%, and Stewart-Warner at 27, paying $4 to yield 14.8%.

These yields are extraordinary, and in some cases reductions in dividends are foreshadowed; or the opportunities are more than remarkable. Whichever way it goes, we believe these stocks are selling at bargain levels, and if funds are judiciously spread out over a number of these issues, the long pull results ought to be very satisfactory.

SO-CALLED "RYAN" STOCKS

What Issues Does He Control?

We have no definite line on the large number of different issues in which Mr. Allan A. Ryan was either personally interested in, or represented, or with which his market operations were said to be identified. The following lists have at one

time or another been popularly credited with his sponsorship or interest, and we summarize various opinions on the subject for what they may be worth: Stutz Motor, Bethlehem Steel, Replogle Steel, Vanadium Steel, Stewart-Warner Speedometer, Chicago Pneumatic Tool, Stromberg Carburetor, Consolidated Textile, Continental Candy and Ryan Consolidated Oil.

The high price on Stutz Motor was unofficially 725 a share. It was and is still a 5% stock of no par value, of which 200,000 were authorized to be outstanding. Originally there was 100,000 outstanding, which was increased successively to 120,000 prior to the "corner" and later a further 80,000 shares were distributed as a stock dividend of 66⅔%, making the aforesaid total of 200,000 shares.

The stock sold as low as 42¼ in 1919, and rose to above 150 in 1920, where apparently the groundwork for the famous "corner" was laid. It received the "attention" of the New York Stock Exchange when it neared 400 on that exchange, and changed hands at the highest figures on the Curb, where it was traded in for several weeks.

SPECTACULAR GROWTH OF PURE OIL CO.

(*Continued from page* 262)

by Table II, which gives the latest quarterly statement, that of October 1, 1920, and the previous statement of July 1, 1920.

At the present time, holders of the common stocks of the company are receiving 2% cash and 2% stock dividends quarterly. This is at the rate of 8% cash and 8% stock per annum, and seems consistent in view of the average rate of earnings for its five years, which, as already pointed out, equals 22½% on the common. The six months' figures for the current fiscal year, to end March 31, 1921, however, being at the rate of more than $18,500,000 applicable to common stock, equal to 40% on the present common, certainly should insure at least the present dividend policy of the company.

On the basis of the present market, value for the common stock, the Pure Oil dividend rate yields about 14% on the investment.

The company's common has a par value of $25 and has had a market range from a high of $62 in 1919 to a low of $33 in recent weeks. Its book value works out at about $65 at present, and on an earning rate of 10% works out at $99.50 a share.

Directors of the company some time ago offered holders of the original 5½% preferred stock (par $100) an exchange share for share, for its 6% preferred, and on October 1, 1920, there was outstanding $2,903,300 of the 5½% preferred and $6,098,800 of the 6% preferred. As these shares are exchanged the 5½% preferred is cancelled and will not be reissued. In March, 1920, the directors authorized an issue of $10,000,000, 8% preferred (par $100), of which there was outstanding on October 1, 1920, $2,682,100.

Earnings for the six months ended October 1, 1920, reflect a rate on the preferred, all issues, equal to 26 times the dividend requirements, or 150% of the total of all the issues outstanding. At the recent market value of $75 per share, the 6% stock yields a return of 8%; the 8% stock is quoted at par. Each share of preferred has four votes in all meetings of stockholders. The next preferred dividend will be payable January 1, 1921, but as yet has not been declared by the board of directors.

President B. G. Dawes of Pure Oil began his career as an operator of public utility, gas and oil properties in 1897, when he assumed executive management of the gas property at Newark, Ohio. Later he was also receiver of the Street Railway and Electric Company there and reorganized it. About this time Dawes Brothers, of Chicago, composed of the four sons of General Dawes, headed by Charles G. Dawes, then Comptroller of the Currency under President McKinley, became interested in gas properties in various parts of the country, and B. G. Dawes took over the management of properties at Lansing, Mich., Little Rock, Ark., and Mobile, Ala. In 1900 he entered the oil business, taking over the properties of Gunsberg and Foreman in southeastern Ohio. It was the property of this same interest which, 18 years later, he took over for Pure Oil in Oklahoma.

President Dawes personally told the writer that he does not believe the oil business calls for guess or gamble, but that it demands just as large qualities of capacity, knowledge and judgment as any industrial or commercial proposition. He has pursued a definite policy of maintaining the resources of the company in the most liquid condition consistent with permanent development and operation. There is with him no time or patience for guessing with reference to the Pure Oil properties or business. It is this spirit which is the germ of Pure Oil's great development in the past, and it is this spirit which supplies the gauge for its future.

WHAT WILL BRING PROSPERITY?

(*Continued from page* 224)

"If the laboring men put their shoulders to the wheel it will aid not only in solving the problem of temporary depression, but will earn for them the applause of the people of the world. Such teamwork would increase production by leaps and bounds. It would lower the cost of materials. People would begin to build homes and apartments and office buildings and bridges and factories and high-

ways and improvements to manufacturing plants. Enterprise would pay dividends.

Concerted Action Needed

"If concerted action could take place beginning with the laboring men and including the captains of industry, everybody would be better off. Now capital does the worrying. Let the retailers cut their prices in accordance with the cost of raw materials, and let labor act as citizens who have the welfare not only of themselves but of society at heart, and industry will go forward, and a healthy expansion will ensue.

"This is a time when it is incumbent upon every one to demonstrate the spirit of the hive—all for each and each for all. Every man should regard himself as a worker and as in some degree responsible for the condition of the business affairs of this country and of the world. We are each of us a link in the big chain of business, and therefore we should be strong in order to sustain our part towards the accomplishment of the things that will redound to the benefit of society as a whole.

"The American people are not selfish and neither are they foolish. There must be an intelligent reciprocity prevailing among all classes of business. Bankers, manufacturers, merchants, labor leaders—all are consumers as well as producers, and all should appreciate the twofold function. All business is merely an exchange of goods and services, and as the trade relations are brought in balance, an efficiency greater than ever before will result."

NEW DAY DAWNING FOR CANADIAN PUBLIC UTILITIES

(*Continued from page* 228)

wiped out its profits. Latest annual reports, however, have shown little change in its indicated earnings, and the present reduction in commodity prices will operate in its favor. At the end of 1919, however, its current liabilities exceeded its current assets. It has since 1886 regularly paid a dividend of 8%, and the stock has been a favorite investment for trustees. The stock exchanges have apparently anticipated a rate increase, for there has been little fall in the quotation, which is now slightly above par.

CONSUMERS' GAS COMPANY

A utility in which the public has a direct interest through the presence on the board of directors of the mayor of the city, somewhat in the role of a watch-dog, is the Consumers' Gas Company of Toronto, incorporated in 1848 and paying a 10% dividend since 1874. High cost of coal and wages dealt a blow to the company for the past few years, causing a deficit on operations of $279,100 in 1918, $127,064 in 1919, but in the fiscal year 1920 there was a profit on operations of $129,718. An advance in the rate from $1 to $1.25 has given the company much improved position just as prices begin to recede.

Two companies organized in Canada, but operating in foreign lands, are the Brazilian Traction, Light & Power Company, with a great plant in and near Rio de Janeiro, and the Barcelona Traction, Light & Power Company, with works at Barcelona, Spain. The Brazilian suspended its dividend of 4% on common in 1917, and, although earnings have greatly increased of late, so much money is required for extensions that it has been thought unwise to resume dividends. Barcelona has had an agonizing time with labor troubles, but with its improved organization and extensions of power and tramway lines it is believed it will win out, should social stability return.

The Worst Has Been Passed

Surveying the utilities position in Canada, it may be said that, as elsewhere, the worst seems to have been passed. Provinces and municipalities raising money by bond issues for expenditures on utilities do not appear to have overstrained their borrowing powers, and, with an enlightened public sentiment and sense of responsibility, operation of publicly-owned utilities should become more efficient and economical. Private corporations owning street railways or power systems are benefiting by reduced commodity prices, by an increase in labor efficiency, and by a number of increases in fares. Canadian stock markets are reading a favorable future into the position of utilities, which have been among the few stocks to advance during the past few weeks.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE

Current Bond Offerings

Issue	Maturity.	Offering Price.	Approx. Yield To Maturity.
Government, State, Municipal.			
‡Palm Beach County, Florida 6s........	1926-1943	95.22-98.03	6.40%
Public Utilities.			
†Penn-Ohio Pr. & Lt. Co. 8s............	Nov. 1930	96	8.60
‡Brooklyn Edison Co. 7s................	Dec. 1940	97¾	7.25
§Consolidated Gas Co. of N. Y. 8s......	Dec. 1921	100	8.00
‡Niagara Falls Power Co. 6s............	Nov. 1950	87½	7.00
†Missouri Utilities Company 8s..........	Nov. 1935	See Text	
Industrials.			
§Marland Tank Line Co. 8s..............	1921-1927	100	8.00
†Lord Drydock Corp. 8s.................	1922-1934	100	8.00

†Smallest denomination issued $100.
‡Smallest denomination issued $500.
§Smallest denomination issued $1,000.

Palm Beach County, Florida.—These Lake Worth Drainage District 6% bonds are issued in denominations of $500 and $1,000. The district embraces an area of about 206 square miles of fertile land with adequate transportation facilities and convenient markets for its products.

The bonded debt averages $15.36 per acre, whereas the average value of the land is $50 per acre. The annual tax requirements for the payment of principal and interest on these bonds average $1.24 per acre and are payable over a period of twenty-three years.

The law under which the district was created has been approved by the Supreme Court of Florida and its organization has been validated by a special Act of the Legislature. Provision therein is made for the collection of the taxes simultaneously with the state and county taxes and by the same officials.

These bonds are offered at prices to yield 6.40%. Amount issued $1,000,000.

Penn-Ohio Power & Light Co. 8s.—This ten-year 8% bond secured sinking fund gold note issue is in denominations of $1,000, $500 and $100. The company will acquire properties which supply electric power and light, in a territory of about 600 square miles, in Pennsylvania and Ohio midway between Pittsburgh and Cleveland. The company will also own certain electric railway lines directly or through subsidiary companies. This territory is one of the most highly developed, prosperous and rapidly growing industrial sections in the United States. These notes will be a direct obligation of the company.

Net earnings for the year ended August 31, 1920, after deducting all prior charges, exceed five times the annual interest requirements on these notes. Net earnings for this same period are equal to over 1.57 times the annual charges on total funded debt, including interest on these notes.

These bonds are offered at 96 and accrued interest, to yield over 8.60%. Amount issued $2,250,000.

Brooklyn Edison Company 7s.—These general mortgage series "D" 7% gold bonds are in coupon form in denominations of $500, $1,000, $5,000 and $10,000, and are the direct obligation of Brooklyn Edison Co., Inc., and are secured by a mortgage on all its real and personal property now owned or hereafter acquired, subject only to $11,996,000 underlying bonds.

This company does all the electric light and power business in the Borough of Brooklyn (except the Twenty-ninth Ward) and serves a population estimated at over 1,600,000.

The increasing demand for service has necessitated the expenditure for additions, extensions and improvements from 1912 to 1920 of over $21,500,000. Against this additional investment only $13,500,000 par value of securities have heretofore been issued. The proceeds of this issue will be used further to reimburse the company for expenditures so made and to provide funds for additional similar expenditures.

For the year ended June 30, 1920, gross income was more than 2.18 times the annual interest charges on all general mortgage bonds outstanding, including this issue and all underlying bonds. Gross income for the five years ended December 31, 1919, averaged more than 3¼ times the interest on the entire funded debt outstanding during that period.

Offering price 97¾, to yield about 7¼%. Amount of issue $5,000,000.

Consolidated Gas Co. of New York 8s.—These one-year secured 8% gold notes will be direct obligations of the company and will be secured by pledge with the trustees of $34,000,000 par value of the capital stock of the New York Edison Co., the present annual dividends upon which alone exceed the amount required for interest on these notes.

The Consolidated Gas Co. of New York, directly or through its subsidiaries, does practically the entire gas and electric light and power business in the Borough of Manhattan, New York City, and in large parts of the Bronx and Queens and in Westchester County, serving an estimated population of 4,000,000.

The gross earnings of the Consolidated System for the twenty months ended October 31, 1920, were over $79,000,000, of which 57% was derived from the electric business. The net earnings of the System for the same period, with the charge for gas, figured at the inadequate statutory rate of eighty cents per thousand cubic feet, while naturally unfavorable, were materially in excess of the annual interest requirements on the total funded debt of the System, including the present issue. The eighty-cent rate was recently enjoined by the courts as confiscatory and

inequitable, and the charge has been advanced to $1.20 per thousand cubic feet by final decree in the case of the Consolidated Gas Company, and to $1.10 per thousand cubic feet by temporary injunction in the cases of the subsidiary gas companies.

The large equity over and above the funded debt of the Consolidated Gas Company of New York is represented by $100,000,000 common capital stock outstanding. The company has paid dividends on its stock continuously for over thirty-five years, the present rate being 7% per annum.

Offering price 100 and accrued interest, yielding 8%. Amount issued $25,000,000.

Niagara Falls Power Co. 6s.—These first and consolidated mortgage AA 6% gold bonds are in coupon form in denominations of $500 and $1,000.

The Niagara Falls Power Company owns and operates all the hydro-electric power plants on the American side of the Niagara River at Niagara Falls and controls the power plant on the Canadian side of the Falls owned and operated by the Canadian Niagara Power Company. The present aggregate installed generating capacity of the four generating stations on the American side of the Falls is approximately 373,500 horsepower, and the additional 112,500 horsepower installed in the generating stations of the Canadian Niagara Power Company brings the aggregate of the system plants up to 486,000 horsepower. Plans have been perfected for a combined capacity of about 620,000 horsepower.

The series AA bonds are to be issued under an indenture to be executed as a supplement to the first and consolidation mortgage, which covers all the tangible and physical properties, plants, transmission systems, improvements, water and other rights, franchises, etc., now owned by the company for the development and transmission of power, and all property hereafter acquired by it through the proceeds of the first and consolidation mortgage bonds, as well as all bonds and shares of capital stock (except qualifying shares of directors) of the Canadian Niagara Power Company now owned or hereafter acquired, subject to existing liens on the major part thereof.

Total net income of The Niagara Falls Power Company and Canadian Niagara Power Company for the twelve months ended September 30, 1920, available for interest on the funded debt, was equivalent to over two and one-eighth times the annual interest requirements of the total outstanding funded debt, including the $4,000,000 first and consolidation mortgage series AA 6% gold bonds. The earnings for the twelve months ended September 30, 1920, do not reflect the full benefit from the operation of the three new units (aggregating approximately 112,500 horsepower) which have recently been installed.

These bonds are offered at 87½ and interest, yielding over 7%. Amount issued $4,000,000.

Missouri Utilities Company 8s.—These first mortgage 8% series "A" gold bonds are in denominations of $1,000, $500 and $100.

This company owns and operates under the direct supervision of the Missouri Public Service Commission the electric lighting, power, gas, heating and water works system in Mexico, Missouri; and the electric lighting and power business in eleven additional towns within a radius of twenty-five miles.

These bonds are a direct first mortgage on all property owned by the company and the net earnings are over three times interest charges on all outstanding bonds. Recent appraisal of property by Stone & Webster, Inc., indicates replacement value of well over four times this issue of bonds.

Price will be furnished on application; amount of issue $250,000.

Marland Tank Line Company 8s.—These 8% equipment trust gold certificates are in denomination of $1,000, and are unconditionally guaranteed both as to principal and dividends by the Marland Refining Company.

These certificates are to be secured by an absolute first lien on 720 all-steel standard tank cars described as follows:

299 cars of 10,000 gallons capacity each.
421 cars of 8,000 gallons capacity each.

These cars have all been delivered by the builders since March 1, 1918, and over four hundred of them were delivered within the past fourteen months. The average life of the cars is estimated to be at least twenty years.

These cars have been given a total current valuation of $1,930,000. On this basis the holders of these certificates have the advantage of an initial margin of approximately 50%. As an additional safeguard the company has covenanted to make a first annual payment under the trust of $250,000, thus reducing the indebtedness per car to $1,460 as of December 15, 1921.

The Marland Refining Company was incorporated in 1916 and has paid cash dividends at the rate of 10% per annum on the outstanding capital stock since April 1, 1917. The present capitalization of the company is $24,872,835, consisting of 4,974,567 shares of capital stock, par value $5.

Offering price 100 and interest, yielding 8%; amount issued $1,296,000.

Lord Drydock Corp. of New York 8s.—These first mortgage 8% serial gold bonds are in coupon form in denominations of $1,000, $500 and $100.

These bonds are secured by an absolute first mortgage on the New York harbor real estate and plant of the Lord Drydock Corporation, as well as on the ship repair plants at Fields Point, Rhode Island, and Weehawken, New Jersey. The bonds are additionally secured by mortgage on the company's plant at Providence, Rhode Island, subject only to a favorable Government mortgage of $260,000 bearing interest at the rate of 6% per annum.

For the two years and a half ended July 31, 1920, the earnings of the Weehawken and two Rhode Island plants available for interest, depreciation and federal taxes were in excess of $2,200,000, or an annual average of $880,000, over three and a half times the annual interest requirements on these bonds. It is conservatively estimated that after operations are commenced at the New York plant early in 1921 the earnings of the company available for interest, depreciation and Federal taxes will be in excess of $2,000,000 a

year, or over eight times the annual interest requirements on this issue.

The present demand for ship repairs on the Atlantic Coast is greatly in excess of the available facilities and the situation is sure to become more acute during the next four years. The total gross tonnage of shipping in the United States for 1913 was less than 8,000,000 tons compared with over 16,000,000 tons in the present year, including that now under construction.

The increase in dry dock and ship repair facilities has failed to keep pace with the increased ship construction in this country during and since the war, and furthermore, the conditions surrounding war time construction, due to inexperience and forced production, are sure to necessitate unusually large repairs and reconstruction in the future. The value of dry docks to a ship repair business cannot be over-emphasized. England today has over 230 tons of dry dock capacity for every 1,000 tons of shipping, compared with only 56 tons of dry dock capacity in this country for every 1,000 tons of shipping.

Offering price 100 and accrued interest; amount issued $3,000,000.

Big Demands Balanced by Huge Latent Resources

(Continued from page 258)

On December 31, 1919, there was outstanding $10,116,900 preferred stock paying 6% cumulative dividends, and $11,250,000 common stock (all owned by the Commonwealth Power Railway & Light Co.). The dividends on the preferred have been paid regularly since incorporation in 1910. The funded debt at the close of the past calendar year was a little over $24,000,000. However, in the current year the company obtained permission from the Michigan Public Utilities Commission to issue additional securities for the purposes of refunding bonds of underlying companies, acquiring the Michigan Light Company (which owns modern and well maintained plants and distributing systems for the production of artificial gas for both domestic and industrial purposes) and to provide financial means to carry out plans for certain extensions of service that were sorely needed. Upon completion of this financing the company's capitalization amounted to $12,911,800 of preferred stock, $14,425,900 of common stock and $38,062,500 of funded indebtedness.

Conclusion

The principle of mutual interest between the public utility and the public served is now well recognized both by the utility and the public and the best kind of ownership is that in which the securities of the public utility are largely held by the public served.

This public then regulates the utility, and every shareholder very naturally feels a responsibility to do all he can to enable the company to render the most efficient and economical service possible.

The stock of Consumers Power Company is already held by several thousand persons, many of whom are users of its services. It is the policy of the management to further this method of ownership and the results therefrom should be exceedingly satisfactory from the investor's standpoint. Customer ownership has proved to be the most advanced step yet taken toward rational public ownership of public utilities; the utility operated by those trained by experience, owned by its operators and its customers, and regulated by intelligent, constructive public authority. This offers the best guarantee of economical and efficient service, with a fair return upon the investment of each shareholder.

The physical property is in the pink of condition and enables the company to render first class service. A large part of the property having been constructed in recent years is relatively new, of modern design and efficient in operation. The transmission system is one of the most comprehensive in the country and because of this transmission system a diversity factor can be taken advantage of, not only in the matter of consumption of power but also in its generation.

The turn in the net earnings of the company took place about two years ago and has been steadily improving. The company's greatest problem now, is not to secure new rates, but to secure sufficient financing to enable them to make large additions and new construction to meet the enormous demands being made upon them. During the war there was not much new construction undertaken, and now this delayed development must be made, and these additions should contribute largely to the net income of the corporation.

Unlike an industrial concern, a public utility corporation, as a rule, cannot afford to wait and make its extensions and developments out of earnings. The requirements are more economically and more satisfactorily met by new financing. It is becoming more clearly understood that in a utility like this, the system must extend with the growth of the community in order to provide proper service.

The management and the financial backing of the company are of the highest calibre. It is characteristic of those in charge of the company's affairs that they have always been identified with matters of community interest and the general attitude of good will on the part of the public is an element not to be overlooked.

Investments to be safe and profitable must have behind them stable, well-balanced and growing industries. The public utility is a public necessity and back of its securities are the indispensable needs of humanity.

In addition to its present earning ability, financial condition and physical properties, the strength of this company, like the strength of an individual, partly depends upon the reserve force at its command. The reserve force of Consumers Power Company is virtually inexhaustible, and it is in these resources that the investor will find ample security.

Taking into consideration the qualities necessary for a sound investment, the securities of this company are indeed well worth the attention of careful investors.

BOND BUYERS' GUIDE

THIS table includes many of the active bonds listed on the New York Stock Exchange. They are classified but not necessarily recommended. An endeavor has been made to arrange them in the order of desirability as investments, based upon security of principal and income return. The arrangement below attempts to balance these two factors. This table appears in every other issue of this Magazine.

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
Belgian, 7½s. 1945	97	7.80
Jap. 4s, 1931 (par $974)	56¾	10.80
Jap. 1st 4½s, 1925 (par $974)	75⅝	11.00
Jap. 2nd 4½s, 1925 (par $974)	75¼	11.10
U. K., Gt. B. & I. 5½s, Nov., 1922	95	8.25
Paris 6s, Oct. 15, 1921	93½	13.10
U. K., Gt. B. & I. 5½s, 1929	88⅜	7.25
French Cities 6s, 1934	79⅜	8.50
U. K., Gt. B. & I. 5½s, 1937	83½	7.20
Dom. Canada 5s, April, 1921	99	7.10
Dom. Canada 5s, April, 1926	90¾	6.90
Dom. Canada 5s, April, 1931	90	6.30
Dom. Canada 5½s, Aug., 1929	89½	7.10
U. K., Gt. B. & I. 5½s, Nov., 1921	98	7.60
Dom. Canada 5½s, Aug., 1921	98½	8.60

Industrial Bonds

†Midvale Steel 5s, 1936	71½	8.25
§Va-Car Chem. 1st 5s, 1923	91	8.50
‡Chile Copper 7s, 1923	91¾	10.25
§Colorado Ind. 5s, 1934	65¾	9.50
§Wilson & Co., conv. 6s, 1928	82	9.25
†Chile Copper 6s, 1932	65½	11.30
§Western Electric 1st 5s, 1922	92¾	9.00
§Amer. Cotton Oil Deb. 5s, 1931	78	8.10
†Int. Mer. Marine 6s, 1941	78	8.20
§Braden Copper 6s, 1931	83	8.40
§Central Leather 5s, 1925	89	7.70
§Beth. Steel Ext. 5s, 1926	87½	7.60
§Wilson & Co. 6s, 1941	86	7.30
†Beth. Steel Ref. 5s, 1942	77½	7.00
†U. S. Rubber 5s, 1947	74¼	7.15
§Col. Fuel & I. 5s, 1943	76¾	7.10
†Amer. Smelt. & Ref. 5s, 1947	74	7.20
§Armour R. E. 4½s, 1939	74¾	6.90
§Rep. I. & Steel 5s, 1940	85⅜	6.25
†Lackawanna Steel 5s, 1950	74	7.10
‡U. S. Steel 5s, 1963	91¾	5.50
‡Gen. Elec. Deb. 5s, 1952	86	6.00
†Gen. Elec. Deb. 6s, 1940	99¾	6.00

Public Utility Bonds

§Amer. Tel. & Tel. 4s, 1929	75	8.00
‡Nor. States Power 5s, 1941	75½	7.30
§Manhattan Consol. 4s, 1990	50½	8.00
†Amer. Tel. & Tel. 6s, 1925	94½	7.30
‡Consol. Gas N. Y. 7s, 1925	98½	7.40
†Pac. Gas & Elec. g. & r. 5s, 1942	75¼	7.25
†N. Y. Telephone 6s, 1949	86	7.15
§Detroit Edison 1st coll. 5s, 1933	88	6.40
†Amer. Tel. & Tel. 5s, 1946	77¼	6.90
‡N. Y. Telephone 4½s, 1939	74¾	6.90
†Detroit Edison 1st Ref. 5s, 1940	81	6.75
‡Southern Bell Tel. & T. 5s, 1941	81	6.70
§Western Union Tel. 4½s, 1950	78	6.10
†Hudson & M. rf 5s, 1957 (Ser. A)	59½	8.90
‡Columbia G. & E. 1st 5s, 1927	82	8.50
§Pub. Ser. N. J. 5s. 1959	60	8.80
§Int. Rap. Transit 5s, 1966	46	11.10

Railroad Bonds Legal for Savings Banks N. Y. State

First Grade:		
‡So. Pac. Ref. 4s, 1955	73½	5.75
§C. Bur. & Quincy Ill. 3½s, 1949	70½	5.60
‡Union Pac. 1st 4s, 1947	80	5.40
‡Atch., T. & Santa Fe Gen. 4s, 1995	74	5.40
§Chi. & N. W. Gen. 5s, 1987	93¼	5.35
‡Union Pacific Ref. 4s, 2008	73½	5.45
†Nor. & West. Cons. 4s, 1996	73	5.50
§N. Y. Cent. 1st 3½s, 1997	66	5.35
§Lake Shore 1st 3½s, 1997	68¾	5.20
§Ill. Cent. Ref. 4s, 1955	74	5.75
§M. St. P. & S. S. M. 4s, 1938	78	6.00
§C. B. & Quincy Gen. 4s, 1958	76	5.50
§Lou. & Nash. Unified 4s, 1940	78¾	5.80
§Atl. Coast Line 4s, 1952	77⅛	5.50
§Del. & Hudson Ref. 4s, 1943	77	5.80
Second Grade:		
‡N. Y. Cent. Ref. 4½s, 2013	72⅝	6.20
†Nor. Pac. P. L. 4s, 1997	73½	5.50
§Gt. Northern 4¼s, 1961	78¾	5.60
§Pennsylvania Cons. 4½s, 1960	88¼	5.20
†Nor. Pac. 3s, 2047	54	5.50
§C. M. & St. Paul Gen. 4s, 1989	67	5.90
§Pennsyl. Gen. 5s., 1968	87½	5.75
†Nor. Pac. Ref. 4½s, 2047	75	5.90
‡Balt. & Ohio 1st 4s, 1948	65	6.80
†C. M. & St. P. Conv. 5s, 2014	65	7.70
†C. M. & St. P. Conv. 4½s. 1932	67	9.10
‡Balt. & Ohio P. L. 3½s, 1925	80½	8.30
†C. M. & St. P. Ref. 4½s, 2014	58¼	7.75

Not Legal for N. Y. Savings Banks

First Grade:		
‡Union Pac. Conv. 4s, 1927	80	7.75
§Peoria & Eastern Cons. 4s, 1940	61	7.90
§So. Pac. Conv. 4s, 1929	75½	7.80
§Colo. & South 1st 4s, 1929	78½	7.30
§Ore. Short Line Ref. 4s, 1929	77	7.60
†Atch., T. & Santa Fe Adj. 4s, 1995	70	5.80
‡South. Pac. Col. 4s. 1949	69½	6.30
§Ches. & Ohio Gen. 4½s, 1992	72½	6.20
‡Cen. Pac. Ref. 4s, 1949	70¾	6.20
§Lake Shore Deb. 4s, 1931	80¾	6.50
†Ore.-Wash. R. R. & N. 1961, 4s	68¾	6.10
†Western Pac. 1st 5s, 1946	81	6.50
‡Ill. Cent. C. St. L. & N. O. 5s, 1963	81¾	6.20
‡So. Pac. Conv. 5s, 1934	99½	5.00
§N. Y. Cent. L. S. 3½s, 1998	59½	5.90
§Kan. City Term. 4s, 1960	70	5.95
§Atl. Coast Line L. & N. 4s, 1952	69	6.30
§South. Ry. Cons. 5s, 1994	80	6.10
§New Orleans Term. 4s, 1953	59	7.40
§Ill. Central 5½s, 1934	90½	6.50
§St. Louis S. W. 1st 4s, 1989	64¾	6.10
§Reading Gen. 4s, 1997	78½	5.10
§San Ant. Ar. Pass 1st 4s, 1943	60½	7.70
Second Grade:		
§St. Louis S. W. Cons. 4s, 1932	60	9.75
§Wabash 1st 5s, 1939	84½	6.40
§Kan. City South. 3s, 1950	53	6.50
†St. Louis-S. F. P. L. 4s, 1950	59	7.40
§Rio Grande West 1st 4s, 1939	63	7.75
‡Den. & Rio Grande Cons. 4½s, 1936	67½	8.20
§C. C. C. & St. L. Deb. 4½s, 1931	76	7.80
§N. Y. C. & St. L. 1st 4s, 1937	79½	6.00
§C. R. I. & Pac. Gen. 4s, 1988	70	5.75
†Virginian 1st 5s, 1962	79	6.50
†Pere Marquette 5s, 1956	81	6.40
§Ches. & Ohio Conv. 4½s, 1930	71½	8.90
†Colo. & South Ref. 4½s, 1935	70	7.90
§Rio Grande West Coll. 4s, 1949	52½	8.40
‡Ches. & Ohio Conv. 5s, 1946	82	6.40
†N. Y. Cent. Conv. 6s, 1935	90½	7.00
†C. R. I. & Pac. Ref. 4 s,1934	65	8.25
§Cent. of Ga. 6s, 1929	87	8.10
§Kan. City South Ref. 5s, 1950	71	7.40
§South Ry. Gen. 4s, 1956	57½	7.60
§Balt. & Ohio 6s, 1929	89	7.70
†St. Louis S. F. Adj. 6s, 1955	64	9.70

†Smallest denomination $100.
‡Smallest denomination $500.
§Smallest denomination $1,000.

MARKET STATISTICS

	N. Y. Times 40 Bonds.	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails.	N. Y. Times. 50 Stocks High	N. Y. Times. 50 Stocks Low.	Sales
Monday, Dec. 6	69.50	76.73	76.28	73.68	71.69	710,417
Tuesday, Dec. 7	69.18	76.73	76.68	72.69	71.36	728,311
Wednesday, Dec. 8	68.89	75.49	76.75	72.21	70.67	841,813
Thursday, Dec. 9	68.48	74.22	75.78	71.04	69.44	969,392
Friday, Dec. 10	68.34	73.29	74.73	70.38	68.52	1,116,136
Saturday, Dec. 11	68.14	72.06	73.32	70.00	68.58	505,921
Monday, Dec. 13	67.63	70.48	71.70	68.17	66.36	1,378,361
Tuesday, Dec. 14	67.75	72.29	73.63	68.88	66.51	1,271,963
Wednesday, Dec. 15	68.07	71.28	73.10	69.18	65.57	827,229
Thursday, Dec. 16	67.94	70.60	72.89	68.07	66.94	730,600
Friday, Dec. 17	67.78	70.26	72.53	67.76	66.76	708,400
Saturday, Dec. 18	67.49	69.55	71.73	66.97	65.97	474,917

PETROLEUM SITUATION IN RUMANIA

By Consul Edwin C. Kemp, Bucharest

According to present statistics Rumania possesses an area of 20,000 hectares (1 hectare = 2.47 acres) recognized as oil bearing, of which only 2,500 hectares are being worked; the total of possible oil-bearing land is estimated at 100,000 to 150,000 hectares. These lands are located in the Carpathians, the principal centers being Prahova, Bacau, Buzeu, and Dambovitza; 90 per cent of the output comes from the Prahova district. The bulk of the production is refined and the residue is used in Rumania for fuel purposes, for which there is an increasing demand.

In 1916 the wells and refineries were destroyed before the invasion of the enemy, who immediately began repairs, and obtained a production of 450,000 metric tons (1 metric ton = 2,204.6 pounds) in 1917 and 1,214,000 in 1918, the greater part being used for military purposes. When the enemy withdrew the reestablishment of the industry was undertaken, but the production in 1919 amounted to only 920,000 tons, and reports for the first six months of 1920 show about 463,000 tons. This decrease in production was due partly to a strike in the oil fields from July 10 to August 20, 1919, but more to the lack of materials for drilling and refining and to lack of storage space.

The following table gives in detail the output of refined oil for 1919 and the first half of 1920:

Items Output of refined oil	1919 Metric tons	1920 Metric tons
Naphtha	155,072	75,941
Refined oil	157,958	74,740
Fuel Oil	364,702	179,284
Gas oil	56,334	26,371
Loss	17,396	8,562
Total, crude oil	751,462	364,898

Petrol in Rumania

The decreasing value of the leu and the lack of transportation made it difficult to obtain materials needed for the repair and maintenance of the refineries and wells, and also made it difficult to utilize the storage facilities at the ports and necessitated stopping the flow of a number of wells. It has been estimated that material to a value of 1,000,000,000 lei per year will have to be imported for five years to bring the annual production up to 2,000,000 metric tons.

In 1915 the oil fields were worked by 155 companies and individuals, of whom about 75 were foreigners producing 96% of the total output. Further, 90% of this amount was produced by 11 companies, namely, the Steaua Romana (German), Astra Romana (Dutch), Romano-Americana (American), Concordia (German), Orion (Dutch), R. C. Oilfields (Ltd.) (British), Internationala (Dutch), Nafta (Belgian), Columbia (French), Aquila (French), and Alpha (French). Out of a total of 12,000 workmen, 95% were Rumanian, but on the technical staffs only 75% were Rumanian.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.

RAILROADS

Boston & Maine.—Directors took no action on the dividend on the preferred stock due January 1st. The dividends are cumulative. President Hustis said: "The present uncertainty as to revenues and expenses is the direct cause. Inability to obtain large amounts from the government, coupled with the fact that earnings have been unsatisfactory during the two months following the guarantee period, also made this action desirable.

"Furthermore, the failure to reach an agreement through conferences with the lines to the West in the attempt to secure a larger division of the through freight rates has made necessary the pressing of the case before the Interstate Commerce Commission."

Chesapeake & Ohio. — Commerce commission approved a loan of $3,759,000 to the company, to be used in the purchase of freight train equipment, consisting of 25 freight and switching locomotives and 1,000 steel coal cars, at an estimated total cost of about $8,200,000. The carrier is itself required to finance about $4,360,000 to meet the loan of the government.

Chicago Great Western.—Commerce commission has approved a loan of $1,929,373 to enable the carrier to provide itself with rebuilt freight train cars and betterments to its roadway and structures.

Chicago, Milwaukee & St. Paul.—Interstate Commerce Commission approved a loan of $25,340,000 to the company for maturing indebtedness on January 1, 1921.

Chicago & Northwestern.—Company is to absorb the Chicago, St. Paul, Minneapolis & Omaha Railroad on January 1st. According to an announcement from the Northwestern's headquarters, the lines of the Minneapolis & Omaha west of the Missouri River will be operated from the Omaha headquarters and those east of the Missouri will be operated from Chicago, with sub-headquarters in St. Paul, the present headquarters of the Minneapolis & Omaha.

Denver & Rio Grande.—At a hearing before the Utah Public Utilities Commission, at which the company was combating the construction by an independent coal company of a 4-mile spur into Utah coal fields, Fred Wild, Jr., freight traffic manager for the receiver of D. & R. G., asked the privilege of replying to reports that his road is "operating a broken down plant." He testified that in October, 1920, the Rio Grande loaded on its own lines 29,632 cars of freight, as compared with 23,000 cars in October, 1919. In October, 1920, the road received from connecting lines 10,047 cars, against 8,694 the same month in 1919, while in the same period it delivered to its connections 17,272 cars of freight.

At the hearing Henry McAllister, general counsel for the receiver, stated that last year the road handled 4,629,000 tons of coal from Utah fields in Carbon County, compared with 1,382,000 tons handled in 1901, the year the Rio Grande took over the Rio Grande Western. The company had recently assigned 2,600 cars to the Utah coal trade, and inability to secure ample empty cars from connecting lines had prevented giving 100% service at the coal mines.

Maine Central.—No action in the matter of declaration of the usual quarterly dividend on the common stock was taken at the monthly meeting of the directors. President McDonald advised that operating conditions did not warrant consideration of a dividend. The quarterly dividend on the preferred stock was passed last month.

Peoria & Pekin Union.—Company applied for authority to extend, for a period of five years from February 1, 1921, the time of payment of its first mortgage bonds, amounting to $1,495,000, and to increase the rate of interest thereon from 6 to 7%; also to extend for a period of five years, from February 1, 1921, the time of payment of its income, or second mortgage bonds, amounting to $1,499,000, and to increase the rate of interest thereon from 4½% to 7%.

St. Louis Southwestern.—President Herbert says: "Only a few men employed in the car shops have been laid off. There has not been any reduction in the forces in the locomotive, machine or boiler shops, nor are any such measures contemplated at the present time. There is no present reason to expect any considerable reduction of working force on the Cotton Belt."

Southern Pacific.—Company moved more than 26,000,000 tons of freight in the nine months ended September 30th, exceeding the record of any previous similar period by nearly 752,000 tons. Tonnage originated on its own lines was 60% of the total. Passengers carried during the same period amounted to over 38,000,000, an increase of almost 212,000 over the same period in 1919, and 17,452,000 more than during the similar months of 1915, when the exposition was being held.

Southern Railway. — Company applied for authority to issue $5,900,000 development and general mortgage 4% bonds, payable April 1, 1956, and, when so issued, to pledge them as security, in part, for a loan of $3,825,000, to be used for the purchase of equipment.

INDUSTRIALS

American Agricultural Chemical Corp'n.—Dividends. The directors have declared a quarterly dividend of 2% on the common stock, payable in common stock, in addition to the regular dividend of 1½% on the preferred. both being payable January 15th to stock of record December 20th. Previous dividend declarations on the com-

mon have been at the rate of 2% quarterly, but payable in cash.

According to R. T. Bradley, chairman of the board of directors, the book value of the outstanding stock of the company on June 30, 1920, was $156 a share, while the quick assets on that date exceeded the entire indebtedness, including the outstanding bonds and debentures, by over $25,000,000, leaving the capital assets, real estate, plants, equipment, mining properties, etc. (including new plants under construction), valued at $52,680,150, which is several million dollars less than their present cost of replacement.

American-Hawaiian Steamship Co.—Net profits for the first ten months of the current year, after taxes, totalled $6,484,736, equivalent to about $13 a share on the capital stock. Net profits for the full year after taxes are expected to reach $7,500,000, which would be equivalent to about $15 a share on the capital stock.

The company's combined fleets aggregate 249,455 dead-weight tons. In addition, the company has $3,500,000 in current assets, which can be applied to cost of additional construction under the new Shipping Act, and $3,062,187 of free working capital.

American Sumatra Tobacco Co.—Usual dividend. The executive committee of the company has recommended to the directors that the regular quarterly dividend of $2.50 a share on the common stock be declared payable February 1st, to holders of record January 14th. Net profits for the quarter ended October 31st, last, were more than $1,000,000, and the current assets on that date, it is stated, were more than four times the current liabilities.

American Type Founders Co.—Net profits for the fiscal year ended August 31st, last, after taxes, amounted to $761,593, which is equivalent, after preferred dividends, to $14.56 a share on the $4,000,000 outstanding common stock. This compares with $518,484, or $8.56 a share earned in the preceding year.

American Writing Paper Co.—Current business. It is reported that incoming orders are sufficient to keep the mills busy. With the exception of the cutting off of a few machines from time to time to make necessary repairs, there has been no let up in the company's production schedules. Business is reported to be holding up so well that the company is expected to report at least $15 a share earned this year on the 125,000 shares of preferred stock outstanding. In the 1919 fiscal year the company earned the equivalent of $3.48 a share on the preferred stock.

Auto Sales Corp'n.—Net profits for the 9 months ended December 30th, last, were $126,636. On December 31st, last, the surplus, adjusted, was $273,489.

Canadian Car & Foundry Co.—Annual report for the year ended Sept. 30th, last, shows net profits, subject to Government taxes, of $539,397, which is equal to $7.19 a share earned on the $7,500,000 preferred stock. This compares with $1,887,534, or $25.16 a share earned in the preceding year.

Consolidated Textile Corp'n.—Surplus after charges, but before Federal taxes, for the period from January 1st to August 28th, last, was $3,298,707, equal to $12.32 a share on the outstanding 267,637 shares of capital stock of no par value. After dividends, aggregating $401,455, there was a surplus for the period of $2,897,252.

Emerson Phonograph Co.—Friendly receivership. Receivers say: "There will be no interruption or interference in the continuation of our business. Present unsettled condition in almost every line has made it difficult to collect accounts promptly, and in many instances caused the banks to refuse to renew loans. On the other hand, maturing obligations of the company had to be met promptly, and a situation was created which called for conserving the assets of the company by the appointment of receivers in a friendly equity suit.

"The company is able to, and will continue to do business on an even more vigorous scale than heretofore, and we have every confidence that the receivership will result in a solution of the company's present difficulties.

"Our record shipments continue to be large and satisfactory. From reports received, we judge that we are one of the few manufacturers of phonograph records whose product is in demand and who are in a position to make deliveries. In addition, the curtailment on the part of other record producers has stimulated further the demand for Emerson records.

"Every step will be taken to place ourselves on a profitable footing, and with the assistance and co-operation of all interested, we feel that the prospects are bright."

Guantanamo Sugar Co.—Annual report for the year ended September 30th, last, shows surplus, after depreciation and taxes, of $1,840,148, which is equivalent to $6.13 a share on the 300,000 shares of capital stock of no par value. This compares with a surplus of $1,119,-

234, or $18.65 a share ($50 par) on the $3,000,000 stock outstanding in the previous year.

Habirshaw Electric Cable Co.—Surplus, after charges, for the 9 months ended September 30th, last, was $766,-343. Net sales totalled $10,702,974 for the period, and profit in trading amounted to $1,078,736, from which was deducted interest, discount, amortization, amounting in all to $292,393.

H. H. Franklin Manufacturing Co.—New preferred stock. The company plans to issue $1,500,000 of additional preferred stock. The present capitalization consists of $3,200,000 preferred stock of $100 par value, and 275,000 shares of common stock of no par value.

General Motors Co.—Work Resumed. The company's plant at Pontiac, Mich., after a close-down for four weeks, has resumed operations with about one-half of the regular force. The manager of the plant has arranged a schedule calling for an output of 400 machines for the remainder of December, and says that he expects normal production soon after the first of the year.

Goldwyn Pictures Corp'n.—Balance sheet as of October 26th, last, shows total current assets of $5,018,814, including $3,694,169 inventory, and fixed assets (investments in theatres, etc.), of $3,909,545, which with good-will, figured at $2,381,600, made total assets of $11,431,053. Total current liabilities were $1,717,290.

Goodyear Tire & Rubber Co.—Reorganization Plan. In accordance with the reorganization plan outlined by President F. A. Seiberling, the reorganized corporation will have an authorized capitalization of $100,000,000 7% preferred stock, which will have the same rights and privileges as the present outstanding preferred stock, and not more than 1,500,000 shares of common stock without par value. In addition, the stockholders will be asked to authorize the issuance of not more than $50,000,000 of bonds or notes at 8% for 25 years.

The company's present capitalization consists of $100,000,000 of 7% preferred stock authorized, with $66,844,100 outstanding, and $100,000,000 common stock authorized, of which $61,890,000 has been issued. The par value of present common stock is $100.

Hartman Corp'n.—Official statement announces that October sales, after all returns and cancellations, equal those of a year ago, and that inventories of merchandise are comparatively light at this time, due to continuation of good business and the conservative buying policy adopted by the management early in the summer in anticipation of falling prices.

International Harvester Co.—Stock dividend. The company has declared a stock dividend of 2% on its common stock, in addition to the regular quarterly cash disbursement of 1¾%. The stock dividend is in the nature of a semi-annual payment, this being in line with the announcement made last June when the authorized common stock capitalization was increased from $80,000,000 to $110,000,000, to enable the company to take care of a profit-sharing plan for employees, payable in stock, and the payment of stock dividends to the shareholders.

International Merchant Marine Co.—Back dividend omitted. At their meeting on December 16th, the directors declared the usual semi-annual dividend of 3% on the preferred stock, but omitted to make any provision for an extra disbursement on account of dividends now in arrears (42%). In explanation, it was said that the shipping situation was such as to render it essential that the corporations engaged in that line of business should act with conservatism with respect to their financial resources. Freight is not moving to any appreciable extent, and numerous vessels of the company are tied up owing to the dullness in general conditions. Its passenger business continues at a high level at present, but the uncertainty in connection with this phase of the situation, arising principally from agitation for a restriction of immigration, has by no means been eliminated.

International Motor Truck Co.—Current business. For the three months ended with October, sales of the company's "Mack" truck showed an increase of 18% over the corresponding month of last year. Sales of the truck in November showed an increase of 43% over sales during October of this year. Officials of the company attribute the gain in business partly to the fact that the price of the truck has been raised but 15% since 1914.

Julius Kayser & Co.—Net profits, after Federal taxes, for the fiscal year ended August 31st, last, were $1,007,-354, equivalent, after deduction of preferred dividends, to $13.22 a share on the $6,611,500 outstanding common stock. This compares with net profits of $1,455,832, or $19.94 a share on the $6,595,000 common stock outstanding in the previous year.

Kelly-Springfield Tire Co.—For the six months ended June 30th, last, the company reports net income, before Federal taxes, of $2,023,104, against $2,053,531 for the corresponding period of 1919.

Keystone Tire & Rubber Co.—Dividend passed. The directors have decided to omit the quarterly dividend on the capital stock. In a statement to the stockholders the directors point out that they are warranted in conserving their cash resources in order to take advantage of the prevailing lower prices on commodities, and to maintain the factory production necessitated by the success of the sale of their products.

Since the latter part of 1916, quarterly dividends of 3% have been paid on the common stock. In 1919 a stock dividend of 33⅓% was declared, followed by two stock dividends of 15% each in March and July last year.

Kress (S. H.) & Co.—November sales were $2,459,313, an increase of $92,592 over November, 1919. In the 11 months ended November 30th, last, sales totalled $24,564,880, an increase over the same period last year of $3,751,624.

Montgomery Ward & Co.—November sales were $10,889,596, a decrease of $3,194,848, or 22.69% from November, 1919. Sales for the 11 months ended November 30th, last, were $102,295,244, an increase of $8,229,900, or 8.75% over the same period of 1919, and a gain of about 39% over the corresponding period of 1918.

National Enameling & Stamping Co. —Prosperous year. The year 1920 will probably prove to have been the most prosperous in the company's history. Net earnings after taxes, interest charges, and preferred dividend requirements, are expected to exceed $3,000,000, which would be at the rate of approximately $20 a share on the $15,591,800 common stock outstanding. In the last five years the company earned approximately $89.25 a share on the common stock, of which amount only $22 has been disbursed in dividends. Thus, in

this period the company has placed back into the property an equivalent of $67 a share.

National Motor & Vehicle Corp'n.—Capital increased. The stockholders have ratified an increase in the authorized capitalization from 80,000 shares of no par, common stock, to 140,000 shares of no par common, and $10,000 8% cumulative preferred stock, $100 par. At present 80,000 shares of common stock are outstanding. It is stated that none of the additional common or preferred stock is to be issued at this time.

Pacific Coast Co.—Gross earnings for October were $553,404, a decrease of $74,685, compared with October, last year, and net earnings were $40,698, a decrease of $47,868. For the four months ended with October gross earnings were $2,069,631, an increase of $153,509 over the corresponding period of 1919, and net earnings were $240,882, a decrease of $21,064.

Pacific Development Corp'n.—Par value changed. At a recent special meeting the stockholders approved the proposition to change the par value of the capital stock from $50 a share to stock of no par value.

Piggly-Wiggly Stores, Inc. — Dividend suspended. The company announces that on account of violent fluctuations in prices, a rapid expansion of the company's business and the desirability of building up a strong cash reserve, it has decided to suspend dividends for the present on its class "A" stock, which is entitled to $4 per annum, cumulative. It is stated in this connection that the company's 325 stores did a business of over $3,200,000 in September, and that dividends probably will be resumed after the first of the year.

Pittsburgh Steel Co.—Annual report for the year ended June 30th, last, shows net profits, after charges and Federal taxes, of $1,961,451, equivalent, after deduction of preferred dividends, to $17.52 a share on the $7,000,000 outstanding common stock. This compares with a net profit of $2,771,546, or $29.09 a share, earned in the previous year.

Santa Cecilia Sugar Corp'n.—Annual report for the fiscal period ended July 31st, last, shows surplus, after charges and taxes of $163,777, which is equivalent, after deduction of preferred dividends, to 99c. a share on the 105,000 shares of common stock of no par value. This compares with a surplus of $280,043, or $12.56 a share ($100 par) on the $1,750,000 common stock in the preceding year.

Sears, Roebuck & Co.—December sales are said to show a decrease of from 30% to 35%, compared with the same month last year, this being due to abnormal conditions, more particularly warm weather, whereby the demand and inquiry for winter clothing, etc., has fallen off materially.

Stromberg Carburetor Co. of America.—In the three months ended September 30th, last, the company earned a surplus, after charges and Federal taxes, of $87,603, equal to $1.17 a share on the 75,000 shares of capital stock of no par value. This compares with a surplus of $202,478, or $2.72 a share earned in the preceding quarter and with $102,342, or $2.04 a share on the 50,000 shares of no par value outstanding in the corresponding quarter of 1919.

The balance sheet as of September 30th, last, shows cash, $174,816; notes and accounts receivable, $431,713; inventories $967,090, as compared with $652,207 on the corresponding date of 1919, and accounts payable, $183,570.

Studebaker Corp'n. — Net profits, after Federal taxes, for the three months ended September 30th, last, were $2,286,794, equivalent, after preferred dividends, to $3.51 a share on the $60,000,000 common stock outstanding. This compares with $3,006,965, or $4.71 a share, in the preceding quarter, and with $3,499,906, or $11.06 a share, on the $30,000,000 common stock outstanding, in the September, 1919, quarter.

Net profits for nine months ended with September, therefore, amounted to $9,765,851, equivalent to $15.38 a share on the common stock after deduction of preferred dividends. This compares with $7,023,386, or $21.53 a share, in the corresponding period of 1919.

Temptor Corn & Fruit Products Co.—Dividends deferred. The directors, at a meeting held December 15th, deferred action on the quarterly dividend payment of $1 a share on the class "A" and class "B" stock. In announcing their action the management stated that although earnings justified declaration of the usual dividends, it was believed to be to the best interests of the company and the stockholders that resources be conserved, particularly in face of the existing unsettled conditions throughout the country. It was pointed out that the Davis plant of the company is running at full capacity, with plenty of orders ahead, while the Granite City plant is running 50% capacity, with indications that it will be on a full time schedule within the next few weeks.

Times Square Auto Supply Co.—Scrip dividend. The company has declared the usual quarterly dividend of 62½c a share, payable on January 27th to holders of record January 5th, in 8% scrip, dated January 27, 1921, and due January 27, 1922. The scrip is convertible at maturity into stock at $20 a share.

United Cigar Stores Co. of America. November sales totalled $6,743,702, an increase of $874,625, or 14.9% over November last year. Sales for the 11 months ended with November were $70,928,689, an increase of $16,455,422, or approximately 30.2%. The management expects that sales this year will reach $80,000,000, as against $62,000,000 for 1919.

United Fruit Co.—Capital increased. At a recent meeting of the shareholders the company's certificate of incorporation was amended to allow an increase in the authorized capital stock from $75,000,000 to $150,000,000. This increase was authorized to take care of the 100% stock dividend previously recommended by the directors.

United States Realty & Improvement Co.—Net income, after expenses and interest on the debenture bonds, for the 7 months ended November 30th, last, was $1,103,464, which is equal to $6.82 a share on the $16,162,800 outstanding capital stock. This compares with net income of $441,085, or $2.72 a share in the corresponding period of 1919.

United States Steel Corp'n.—Unfilled orders on the books of the corporation, as of November 30th, last, amounted to 9,021,481 tons. This compares with 9,836,852 tons reported on October 31st, last, a decrease of 813,371 tons, and with 7,128,330 tons at the end of November, last year. In well informed circles it is the belief that last month's

reported decrease in unfilled tonnage is a reflection of the considerable readjustment of order books at the end of the month, due to cancellations of orders, deferred deliveries, etc.

White Motor Corp'n. — Dividend policy. The company has issued a statement announcing that the board of directors does not propose to make any change in the present dividend policy, $4 a year now being paid to the stockholders. The statement further announces that the company has no intention to sell $10,000,000 of notes at this time, nor the $10,000,000 of authorized but unissued stock, its financial position being entirely comfortable.

Willys - Overland Co. — Dividend passed. At a special meeting held December 15th, the directors passed the usual quarterly dividend of $1.75 a share on the preferred stock. The last payment on this issue was made on October 1st. The passing of the preferred dividend automatically eliminates the 25c. quarterly a share payment on the common stock, the last disbursement on which was made November 1st. The uncertainties surrounding the automobile trade, together with the fact that the company has a large amount of bank loans outstanding, were given as reasons for passing the dividends.

Woolworth (F. W.), Company.—November sales totalled $12,427,566. This is the highest figure ever reached for any November in the company's history, and compares with $10,990,092 in the same month of 1919, a gain of approximately 13%. Sales for the first 11 months of 1920 have been brought up to $119,395,298, an increase of about 19%, compared with the corresponding period of 1919.

The report shows that the merchandise stock of the company is being reduced to normal proportions. A reduction of over $5,000,000 has been effected since October 1st, and with the sales for December still ahead, its stock should be reduced to practically the same inventory as last year by December 31st.

MINING NOTES

Cerro de Pasco Copper Corp'n.—Bond issue. The company has sold $8,000,000 8% 10-year convertible sinking fund gold bonds, dated January 1, 1921, and due January, 1931. The proceeds from the sale will be used to reimburse the corporation for expenditures in connection with the construction of a new smelter and to provide funds for its completion, part of the cost being met from current earnings. Holders of the bonds are entitled to convert them into stock at $33⅓ a share.

In connection with the offering, it is estimated that the net income of the company for 1920 will be not less than $4,000,000 as compared with $1,440,000 interest and minimum sinking fund requirements on these bonds. This income does not include undistributed profits of subsidiary companies, which have averaged approximately $1,000,000 annually for the four years, 1916-1919, inclusive.

International Salt Co.—For the quarter ended September 30th, last, the company reports earnings, after expenses, but before Federal taxes, of $945,183. After deducting fixed charges and sinking fund, amounting to $98,375, the net income was $846,807.

New Jersey Zinc Co.—Surplus, after charges and taxes, for the quarter ended September 30, last, was $1,711,-873, equivalent to $4.07 a share on the $42,000,000 capital stock outstanding, which compares with a surplus of $2,-756,577, or $6.56 a share, in the preceding quarter, and with $2,610,918, or $7.45 a share, on the $35,000,000 outstanding stock in the corresponding quarter of 1919.

Nipissing Mines, Ltd.—Production of silver from the company's mines for the month of November showed a substantial increase over the October output. Last month the company mined ore of an estimated value of $190,219 and shipped bullion and residue and customs ore of an estimated net value of $232,526. The silver value of the month's production was estimated at 69c. per ounce, as compared with 82c. in October. It is stated that new veins of importance were found in the Nipissing mines during November.

McKinley - Darragh - Savage Mines, Ltd.—Dividend passed. The directors have decided to pass the quarterly dividend due at this time, owing to the low price of silver and the continued high cost of labor. The stockholders have been receiving quarterly payments of 3c. a share.

Pond Creek Coal Co.—Estimated earnings. The company is expected to earn in the neighborhood of $3.50 a share this year, after taxes, on its $2,-129,200 capital stock. This would be more than three times the amount earned last year, when net earnings were equivalent to $1.13 a share.

Ray Consolidated Copper Co.—For the quarter ended September 30th, last, the company reports total operating loss of $113,519, which compares with a profit of $343,651 in the preceding 3 months, and with a profit of $587,165 in the first quarter of the year. After dividends there was a deficit of $446,-444, which contrasts with a deficit of $7,039 in the June quarter, and with a surplus of $243,005 in the three months ended March 31st, last.

Shattuck-Arizona Mining Co.—Operations suspended. It is expected that by January 1st all copper mining operations of the company will have been discontinued. The mines will not be completely closed down, for development work will be carried on in a small way until conditions justify resumption of operations.

Vanadium Corp'n of America.—Dividend reduced. A quarterly dividend of $1 a share on its stock has been declared by the corporation, payable January 15th to stock of record December 31st. The company has been paying dividends of $1.50 a share quarterly since March last.

A statement issued by President J. Leonard Replogle says that "while earnings of the company were in excess of the previous dividend requirement, and the cash position of the company is strong, it was deemed advisable, in view of the general condition of business, to conserve the cash resources of the company so as to permit continued heavy shipments of ore from Peru, which will put the company in a particularly strong position to meet future normal demands."

PUBLIC UTILITIES

Columbia Gas & Electric Co.—Estimated earnings. Based on earnings for the first ten months of the year, the company should show a balance for its common stock for the full 12 months of 1920 equal to at least $10 a share, or double the amount necessary to pay the $5 annual dividends. In the 10 months ended October 31st, last, net earnings amounted to $3,870,000, which is about 60% ahead of the total for the corresponding period of 1919. Increased oil business has been responsible for much of the improvement in the company's earnings, but it is stated that the public utility end of the business has also been showing greater profits in recent months, operating income from this source being 20% larger in the 12 months ended October 30th, last, than in the preceding year.

Philadelphia Co. — October gross earnings of the company and its subsidiary natural gas companies totaled $1,062,727, an increase of $330,922 over October, last year, and net earnings, after taxes, amounted to $529,605, an increase of $368,909.

Gross earnings for the 10 months ended October 31st, last, amounted to $12,048,576, an increase of $2,208,808 over the corresponding period of 1919, and net earnings, after taxes, totalled $6,632,490, an increase of $2,379,622.

Portland Railway, Light & Power Co.—October gross was $862,267, an increase of $136,632 over October, last year; net after taxes was $316,876, an increase of $68,271, and surplus after charges was $112,784, an increase of $52,338.

For the 12 months ended with October gross earnings were $9,283,345, an increase of $803,337 over the preceding 12 months; net after taxes was $2,889,-152, a decrease of $19,366, and surplus after charges was $619,327, a decrease of $19,553.

Standard Gas & Electric Co.—Gross earnings in the 12 months ended October 31st, last, amounted to $31,324,089, compared with $26,504,601 for the preceding 12 months. Net earnings were $11,038,916, against $9,764,302. The foregoing figures do not include earnings of the Shaffer Oil & Refining Co., which for the year ended October 31st were $12,417,965 gross and $4,286,321 net.

Third Avenue Railway Co.—October report shows operating revenue of $1,-151,994, an increase of $121,878 over October, 1919. Operating expenses, including a charge of $42,162 for depreciation, $131,460 for maintenance of way, and $107,939 for maintenance of equipment, totalled $924,206, leaving net operating revenue and other income of $245,265, or $5,262 less than for the corresponding month of last year. The result, however, was sufficient to cover interest on the company's first mortgage 5% bonds, its refunding 4% bonds, sinking fund, debt discount items and taxes, and to leave a balance of $51,022 for the adjustment income 5% bonds, or at the annual rate of 2.7%.

United Light & Railways Co.—Financial statement covering the 12 months ended October 31st, last, shows gross earnings of $11,695,951, an increase of $1,639,842 over the previous 12 months' total; net earnings of $3,-304,531, an increase of $390,709, and a surplus, after dividends, of $856,771, an increase of $338,279.

The board of directors have declared a dividend of 1½% on the 1st preferred stock, payable January 1st to stockholders of record December 15th.

Utah Securities Corp'n.—September

gross earnings of the corporation's subsidiaries totalled $896,550, and net earnings, $313,432, comparing with $610,480, and $285,564, respectively, for September last year.

For the twelve months ended with September gross earnings were $8,163,433, compared with $7,119,339 for the preceding twelve months, and net earnings totalled $3,889,944, against $3,683,490.

Virginia Railway & Power Co.—Annual report for the year ended June 30th, last, shows surplus after taxes, charges, and depreciation, of $921,160, which is equivalent, after allowing 6% for preferred dividends, to $3.69 a share on the $11,950,500 common stock outstanding. In the preceding year the surplus was $435,332, or $5.45 a share, on the $7,999,400 outstanding preferred stock.

Western Union Telegraph Co.—October operating revenue was $10,416,618, an increase of $670,173 over October, last year, and operating income was $1,463,857, a decrease of $779,718.

For the 10 months ended October operating revenue was $100,771,721, an increase of $16,435,829 over the corresponding period of 1919, and operating income was $14,541,831, a decrease of $2,498,041.

OIL NOTES

Noble Oil & Gas Co.—Refinery capacity of the company's plant at Burkburnett, Texas, has been increased from 6,000 to 7,000 barrels per day by the addition of two more stills. The company also announces that it has installed an additional 300-barrel agitator, so that they are able to treat 42,000 gallons of gasoline and 62,000 gallons of kerosene per day.

Pan-American Petroleum & Transport Co.—Regular dividend. The company has declared the regular quarterly dividend of $1.50 a share on the "A" and "B" stock, payable January 10th to stock of record December 18th, thus disposing of the recent rumor that an increase of the dividend to an 8% annual basis would be declared.

It is reported that the company's holdings of Mexican Petroleum common stock now amount to about 80% of the amount outstanding.

Phillips Petroleum Co.—For the quarter ended September 30th, last, the company reports net earnings, before depreciation, depletion, and Federal taxes, of $1,824,375, as compared with $477,794 in the corresponding quarter of 1919. For the nine months ended with September, net earnings were $4,521,865, as compared with $1,187,059 for the same period of 1919. The nine months' net, therefore, was equal to $6.85 a share on the 660,000 shares of stock outstanding.

Producers & Refiners' Corp'n.—Net income in September was $430,285, before depreciation and taxes, a new high record. This represents a gain of $10,896 over the preceding month, and of $230,418 over the total for the corresponding month of 1919. Net income, before depletion, in August was $419,389, in July $412,468, and in June $407,209.

Skelly Oil Co.—Gross earnings of this company in September were $645,822, which is the high record for any month in the company's history.

Standard Oil Co. of Indiana.—Plan approved. At a recent special meeting the stockholders approved the proposal

to reduce the par value of the stock from $100 a share to $25 a share, and to increase the authorized number of shares from 1,000,000 to 4,000,000. Earnings of the company for the current year have been at the rate of $60,000,000, before taxes, which would be about $15 a share on the new stock. Although nothing official has been disclosed on the company's dividend policy, an annual dividend of at least $4 a share on the new stock is looked for.

Standard Oil Co. of New York.—New bonds. The company has sold a new issue of $30,000,000 7% serial gold debentures. These bonds constitute the company's sole funded debt and will mature in 7 annual installments, from January 2, 1925, to January 2, 1931, inclusive.

Among the provisions of the new issue is an agreement that no mortgage or lien may be placed on the property unless the new debentures are secured equally and ratably therewith. The net quick assets of the company, as of June 30th last, adding the proceeds of the present issue, exceeded $150,000,000, or over five times the total issue of debentures. Net earnings for 1920, before taxes, are officially estimated at $60,000,000.

Texas-Pacific Coal & Oil Co.—New acquisition. The company is said to be negotiating with the Transcontinental Oil Co. for an interest in the latter's refinery at Ft. Worth, and also for an interest in the pipe lines of the United Producers Oil Co., which runs from Ranger to Ft. Worth. The refinery has a daily capacity of 5,000 barrels of crude oil and has under construction a wax and lubricating plant.

Tide Water Oil Co.—Net income of the company for the nine months ended September 30th, last, after charges and Federal taxes, was $9,446,882, equivalent to $23.28 a share (par $100), on $40,576,600 capital stock. This compares with net income of $7,873,805, or $23.79 a share, earned on the $33,087,000 stock in the corresponding period of 1919.

White Oil Corp'n.—For the quarter ended September 30th, last, the corporation reports gross sales amounting to $6,793,815, compared with $4,082,522 in the preceding quarter, and net profits, before depreciation and Federal taxes, of $1,306,734, which is equivalent to $2.07 a share on the 630,000 shares of capital stock of no par value. For the nine months ended with September sales aggregated $13,058,966, and net profits, before depreciation and Federal taxes, amounted to $3,521,168, equivalent to $5.59 a share.

The corporation has sold to the Standard Oil Co. of Indiana 27 trainloads of lubricating oil, equivalent to approximately 8,100,000 gallons for delivery from the Pasadena, Texas, refineries of the Crown Oil & Refining Co., a subsidiary.

SOURCES OF OUR GOLD IMPORTS

As reported by the Department of Commerce, the $198,888,000 gold imported into the United States during the first nine months of 1920 came in the main from the following sources: From England, $96,976,000; from Canada, $31,878,000; from Hongkong, $30,191,000; from France, $16,719,000; from Colombia, South America, $4,043,000; from Mexico, $3,613,000; from the Dutch East Indies, $2,672,000.—*American Banker.*

The New-Book Letter

THE MANUAL OF STATISTICS, also known as STOCK EXCHANGE HAND-BOOK OF 1920 (new edition), completely re-written under direction of Robert LeC. Hovey.

Contains descriptions of leading corporations, including essential data relating to their securities; also, information and statistics on railroads, metal industries, coal, iron and steel, cotton, grain and provisions, as well as statistics of the money market and banks and trust companies.
Price, $12.35, postpaid.

THE ELEMENTS OF MARKETING—By P. T. Cherington, formerly Prof. of Marketing in the Graduate School of Business Administration, Harvard University.

This volume formulates in simple terms the principles underlying the transfer of merchandise from producer to consumer under modern conditions. One of the characteristic features of the book is that it treats marketing functionally instead of dealing with the details of the forms of the marketing mechanism. This constructive presentation of the subject reveals the importance of marketing as a department of economic study. Price $2.20, postpaid.

LABOR'S CRISIS—By Sigmund Mendelsohn.

The question of labor reform is taken up by this employer from the employer's point of view. He analyzes labor's propositions to remedy the existing unrest, argues that the labor scarcity is not entirely due to decrease in the number of laborers, and suggests many effects of the unrest itself on production and on labor. It is a thoughtful study by a keen, open-minded employer, contributing to one of the most important discussions of the day.
Price $1.60, postpaid.

PERSONNEL ADMINISTRATION—By Ordway Tead and Henry C. Metcalf, Ph.D., Members of the Bureau of Industrial Research, N. Y. C.

The purpose of this book is to set forth the principles and the best prevailing practice in the field of the administration of human relations in industry. It is addressed particularly to employers, personnel executives and employment managers, but will also be of value to workers and consumers.
Price $5.25, postpaid.

FINANCIAL ENGINEERING—By O. B. Goldman, Consulting Engineer, Prof. of Heat Engineering, The Oregon State Agricultural College.

While "Financial Engineering" is intended primarliy for the practicing engineer, it is just as applicable to a farm or a store as to a railroad or a power system. It extends engineering over business and administrative problems, teaching how to translate engineering factors into dollars and cents. All mathematical deductions are worked out in detail, leaving no gaps for the reader to bridge. Price $3.60, postpaid.

PHYSICAL GEOLOGY — (Second Edition, Revised), By Louis V. Pirsson, late Prof. of Geology, Sheffield Scientific School, and Chas. Schuchert, Prof. of Paleontology in Yale University.

Considerable new matter has been added, and the proper revision made, to keep this well known, authoritative text abreast of up-to-date practice. The book as a whole, has a direct technical value for students pursuing courses leading to professional working in mining, metallurgy, forestry and chemistry, in addition to geology.

Price $3.20, postpaid.

Union Oil Co. of California.—New Mexican well. This company, a controlling interest in which is held by the Union Oil Co. of Delaware, recently brought in its second gusher on lot 114, Chinampa (Mexican) field, at a depth of 2,057 feet. The production of this well is estimated at 80,000 barrels daily.

THE OIL SHALE INDUSTRY—by Victor C. Alderson, Sc.D., President of Colorado School of Mines.

In order to meet the widespread demand for comprehensive information on the oil shale industry, Dr. Alderson has prepared this first American treatment of the subject, which covers all phases of the industry and is written in such a comprehensive manner that the book will be of value to the person who wishes merely to investigate the subject as well as to the inventor, banker, or business man.

Price, $4.10 postpaid.

IMPORTERS' FIRST AID—by Geo. Koehler, LL.B.

This work has been prepared by the author after an experience of more than 25 years in tariff and customs administration as examiner, law clerk and Assistant Chief in the Division of Customs, Secretary's Office. It compromises a compilation of all important customs laws in operation at this time together with many helpful suggestions as to the application of those laws, all arranged in a thorough and systematic manner.

Price, $5.10 postpaid.

MANUAL FOR THE STUDY OF THE PSYCHOLOGY OF ADVERTISING AND SELLING—by Harry Dexter Kitson, Ph.D.

The manual represents the crystallization of experience gained through twelve repetitions of a course in "The Psychology of Advertising and Selling" and has undergone many revisions and rearrangements. It emphasizes strongly that the sale must be studied in a scientific manner, with experimental methods.

Price, $1.10 postpaid.

HOW TO MANAGE MEN—By E. H. Fish, formerly Vice-President of Boston Employment Managers' Association.

This volume covers the whole matter of the relations between workers and their employers, under such chapters as: Selection and Training of Employment Managers, Hiring the Workman, Selecting and Placing Workers, Policies of Management, etc.

DIVIDENDS

UNITED STATES REALTY & IMPROVEMENT COMPANY

111 Broadway, New York,
December 27, 1920.

The Coupons on this Company's Twenty-year Debenture 5% Bonds, due on January 1st next, will be paid on January 2nd and upon presentation at the Company's office, 1115 Trinity Building.

ALBERT B. HADLOCK, Treasurer.

American Telephone and Telegraph Company

A dividend of Two Dollars per share will be paid on Saturday, January 15, 1921, to stockholders of record at the close of business on Monday, December 20, 1920.

G. D. MILNE, Treasurer.

PACIFIC GAS AND ELECTRIC CO.
COMMON STOCK DIVIDEND NO. 20.

The regular quarterly dividend of $1.25 per share upon the Common Capital Stock of this Company, will be paid on January 15, 1921, to share holders of record at close of business December 31, 1920. The transfer books will not be closed and checks will be mailed from the office of the Company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER,
Vice-President and Treasurer

San Francisco, California.

United Light & Railways Co.

Davenport—Chicago—Grand Rapids

PREFERRED STOCK DIVIDEND NO. 41

The Board of Directors has declared a dividend of one and one-half (1½) per cent, on the First Preferred Stock, payable out of the surplus earnings, on January 3rd, 1921, to stockholders of record at the close of business Wednesday, December 15, 1920.

First Preferred Stock transfer books will reopen for transfer of stock certificates at the opening of business, December 16, 1920.

L. H. HEINKE, Secretary

December 7th, 1920.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
7%	Aeolian Co, p.....	1¾%Q	12-20	12-31
....	Allis-Chalmers, p..	1¾%	12-31	1-15
6%	Am Agric Chem, p.	1½%Q	12-20	1-15
8%	Am Agric Chem, c*	2 %Q	12-20	1-15
10%	Am G & El, c ($50)	2½%Q	12-17	1- 2
....	Am G & El, c ext.	2 %	12-17	1- 2
....	Am S Fds, stk di.e	12 %	12-15	12-31
6%	Associated Oil	1½%Q	12-31	1-25
12%	Bank of America..	3 %Q	12-18	1- 3
$7	Barrett Co., p.....	$1.46	12-15	1- 3
$7	Boston Elev, p...	$3.50 S	12-17	1- 3
$5.50	Boston Elev, c...	$1.37½Q	12-17	1- 3
7%	California Petrol, p	1¾%Q	12-20	1- 1
7%	Case P'w W's, 1st p	1¾%Q	12-16	1- 1
7%	Case P'w W's, 2nd p	1¾%Q	12-16	1- 1
8%	Cent Teresa Sug, p	2 %Q	12-15	1- 2
8%	Cent Teresa Sug, c	2 %Q	12-15	1- 2
16%	Chat & Ph Nat Bk	4 %Q	12-17	1- 3
8%	Chic, Burl & Quin.	2 %Q	12-20	12-27
4%	Chic, Ind & Lou, p	2 %S	12-22	12-30
$7	Consol C, c (no p).	$1.75 Q	1- 3	1-15
7%	Continental Can, p.	1¾%Q	12-20	1- 1
7%	Continental Can, c.	1¾%Q	12-20	1- 1
7%	Dodge Mfg, p.....	1¾%Q	12-21	1- 1
6%	Dodge Mfg, c.....	1½%Q	12-24	1- 3
....	Dodge Mfg, c ext.	1 %	12-24	1- 3
7%	Dominion Textile, p	1¾%Q	12-31	1-15
10%	Dominion Textile, c	2½%Q	12-15	1- 3
6%	El Paso Elec, p...	3 %S	12-20	1-10
8%	Fairbanks Co, 2nd p	2 %Q	12-20	1- 1
7%	Gen Am Tk C, 1st p	1¾%Q	12-15	1- 1
7%	Gen Am Tk C, 2nd p	1¾%Q	12-15	1- 1
$3	Gen A T C, c (no p).	$1.50 S	12-15	1- 1
6%	General Chemical, p	1½%Q	12-17	12-31
$2	Guantan'o S (no p).	50c Q	12-18	1- 3
$1.50	Habirshaw El C, c.	37½c Q	12-21	1- 1
7%	Hanes Knitting, p.	1¾%Q	12-20	1- 1
8%	Hanes Knitting, c.	2 %Q	12-20	1- 1
8%	Hanes Knitting, c B	2 %Q	12-20	1- 1
7%	Hupp Mot Car, p.	1¾%Q	12-20	1- 1
6%	Illinois Traction, p	1½%Q	12-15	1- 1
12%	Indiahoma Ref ($5)	3 %Q	12-21	12-31
6%	Ingersoll-Rand, p..	3 %S	12-17	1- 3
7%	Internat Harvest, c	1¾%Q	12-24	1-15
....	Int'l Harv, c stk di.	2 %	12-24	1-25
$7	Inter Mot T, 1st p.	$1.75 Q	12-15	1- 3
$7	Inter Mot T, 2nd p.	$1.75 Q	12-15	1- 3
7%	Johnson P Co, 7% p	1¾%Q	12-31	1- 1
8%	Johnson P Co, 8% p	2 %Q	12-31	1- 1
4%	Kan C'y, F S & M, p	1¾%Q	12-24	1- 1
6%	Kelly Spr T, 6% p	1½%Q	12-17	1- 1
6%	Lawyers Title & Tr	1½%Q	12-15	1- 3
....	Lawyers T & T, ext	1 %	12-15	1- 3
8%	May F'd P, p ($10)	2 %Q	12-31	1-15
7%	McCrory Stores C, p	1¾%Q	12-20	1- 1
8%	Mexican Petrol, p.	2 %Q	12-18	1- 2
12%	Mexican Petrol, c.	3 %Q	12-18	1-10
10c	Midwest Oil, p.....	2½c Q	12-31	1-15
....	Midwest Oil, c ($1)	2 %	12-31	1-15
$7	Montgom'y W'd, p.	$1.75 Q	1-21	1- 1
6%	National Grocer, p.	3 %S	12-21	1- 1
8%	National Grocer, c.	2 %Q	12-21	1- 1
6%	National Licorice, p	1½%Q	12-24	12-31
$1	Nipissing Min ($5).	25c Q	12-31	1-20
....	Nipissing Min, ext.	25c	12-31	1-20
....	Northern Secur Co	4 %	12-27	1-10
$7	Owens Bottle, p...	$1.75 Q	12-22	1- 1
$3	Owens Bot, c ($25).	75c Q	12-22	1- 1
6%	Pacific Tel & Tel, p	1½%Q	12-31	1-15
12%	P A P & T, c A ($50)	3 %Q	12-18	1-10
12%	P A P & T, c B ($50)	3 %Q	12-18	1-10
7%	Pana Pow & Lt, p	1¾%Q	12-11	1- 3
$2	Re Co, 2nd p ($50)	50c Q	12-23	1-13
6%	Royal Bkg Powd, p	1½%Q	12-15	12-31
8%	Royal Bkg Powd, c	2 %Q	12-15	12-31
....	Roy Bkg Pow, c ext	2 %	12-15	12-31
7%	Shawmut Mills, p.	1¾%Q	12- 7	1- 3
8%	Shawmut Mills, c.	2 %Q	12- 7	1- 3
7%	Springf Ry & Lt, p	1¾%Q	12-15	1- 1
$2	Stromberg C (no p).	50c Q	12-20	1- 3
....	Tex P, C & O, stk di	2 %	12-10	1- 3
7%	Tobacco Products, p	1¾%Q	12-20	1- 3
$3	Union Tract ($50).	$1.50 S	12-10	1- 1
8%	United Drug, c....	2 %Q	12-16	1- 3
$2	United G I, c ($50)	50c Q	12-31	1-15
6%	United Lt & Rys, p	1½%Q	12-15	1- 2
2½c	United Pr Sh (25c)	1¼c S	12-23	1-15
....	United Pr Sh, ext	1¼c	12-23	1-15
7%	Utilities Sec Corp, p	1¾%Q	12-17	12-27
7%	Victor Talk Mach, p	1¾%Q	12-31	1-15
....	Victor Talk Mach, c.	15 %	12-31	1-15
$10	West El, c (no p).	$2.50 Q	12-24	12-31
7%	Western Groc Co, p	3½%S	12-21	1- 1
8%	Western Groc Co, c	4 %S	12-21	1- 1
6%	West Pac R R, p	1½%Q	12-22	1- 3

*In common stock.